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Defense: FY2017 Budget Request, Authorization, and Appropriations

Pat Towell

Specialist in U.S. Defense Policy and Budget

Lynn M. Williams

Analyst in U.S. Defense Budget Policy

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Summary

The Administration requested \$523.9 billion to cover the FY2017 discretionary “base budget” of the Department of Defense (DOD). This request is \$2.2 billion, or approximately 1%, higher than the corresponding appropriation for FY2016. In addition to the base budget request, the Administration requested \$58.8 billion—including \$3.4 billion for the European Reassurance Initiative—in discretionary funding for Overseas Contingency Operations (OCO). The total discretionary funding request of \$609.9 billion, combined with \$9.6 billion in mandatory spending, brought the Administration’s total FY2017 National Defense budget request to \$619.5 billion.

In shaping the FY2017 budget, DOD officials stated that they emphasized innovation and other ways to increase the combat effectiveness of U.S. forces while complying with the budget caps. The request aims to field a force that can deter the most technologically advanced potential adversaries using conventional weapons, without assuming that U.S. forces would match the size of enemy forces, by modernizing its equipment and changing its organization rather than by enlarging their numbers.

Congressional deliberations on the FY2017 defense budget may be influenced, in part, by the broader budget discussions about the binding annual caps on discretionary appropriations (through FY2021) established by the Budget Control Act (BCA) of 2011 (P.L. 112-25). One particular issue for Congress is whether the FY2017 allocation for OCO funding provided by the Bipartisan Budget Act (BBA) of 2015 (P.L. 114-74) allows for a higher total appropriation for the DOD than the Administration proposed. A second issue—one that may delay work on all FY2017 appropriations bills, including those that fund DOD—is the demand by some members of Congress that the increased non-defense spending allowed by the BBA be offset, in part, by reductions in mandatory spending.

To balance competing priorities within the FY2017 defense budget cap, as amended by the BBA, the Administration requested slightly more funding for Operation and Maintenance, and slightly less for procurement compared with FY2016 base budget DOD appropriations. The request proposes \$135.3 billion in base funding for military personnel programs plus another \$3.6 billion in OCO, for a total of \$138.8 billion. DOD has proposed some compensation changes alongside the FY2017 budget that are intended to generate savings. TRICARE Modernization proposals and amendments to the retirement system are projected to have some initial implementation costs, while savings are expected to accrue in subsequent years.

Army officials emphasized that the service’s FY2017 budget request prioritized readiness over modernization. Within the Army’s modernization budget, helicopter programs were reduced more than new types of ground vehicles and upgrades to some types already in service. The FY2017 budget would fund only one major effort for the Marine Corps to develop a new vehicle intended for front-line combat, seeking \$158.7 million to continue development of the Amphibious Combat Vehicle, an 8-wheeled amphibious troop carrier intended to replace AAV-7 tracked amphibious troop carriers. The Army and Marine Corps have a combined \$735.4 million procurement request in 2017 for 2,020 Joint Light Tactical Vehicles, and the Army is seeking \$184.2 million to complete production of 29 prototype Armored Multi-Purpose Vehicles slated for shakedown testing at government test sites.

The planned size of the Navy, the rate of Navy ship procurement, and the prospective affordability of the Navy’s shipbuilding plans have been matters of concern for the congressional defense committees for the past several years. Concerns over the current and future size and

capability of the Navy have intensified with the recent shift in the international security environment to a situation featuring renewed great power competition.

The Navy's proposed FY2017 budget requests funding for the procurement of seven new ships—two Virginia-class attack submarines, two DDG-51 class destroyers, two Littoral Combat Ships, and one LHA-6 class amphibious assault ship. The Navy's FY2017-FY2021 five-year shipbuilding plan includes a total of 38 new ships, compared to the five-year plan sent to Congress in 2015, which projected funding of 48 new ships in FY2016-FY2020.

When looking at the various services' plans for acquiring aviation systems, one theme becomes clear: deferral. The Army and Air Force have chosen to delay their previously-planned aircraft purchases, and the Navy funds only 2 F/A-18 E/F Super Hornets while including 14 more on their Unfunded Requirements List.

The President's FY2017 budget continues to fund a wide range of programs intended to sustain and modernize U.S. nuclear weapons. The DOD budget includes nearly \$4.7 billion in funding to upgrade and replace U.S. nuclear weapons delivery systems. In addition, the Administration requested \$9.1 billion to develop and deploy ballistic missile defense capabilities, which is a decrease of about \$700 million from the FY2016 enacted level of \$9.8 billion. The request includes \$7.5 billion for the Missile Defense Agency and the remainder primarily for the Army Patriot missile defense program.

For FY2017 the Administration's request includes \$7.1 billion for Air Force national security space programs, an increase of about \$100 million above the FY2016 enacted level. DOD has stated this budget request allows the United States to maintain supremacy in space and provides communications, navigation, missile warning, space situational awareness, and environmental monitoring. Intelligence has remained proportionally constant to defense spending—consistently representing roughly 10-11% of national defense spending—and the FY2017 request of \$70.3 billion continues that trend.

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Introduction: FY2017 Defense Budget Request

The Administration requested \$551.1 billion in “base budget” discretionary appropriations for the National Defense function of the federal budget (designated Function 050) for FY2017.¹ This amount includes funding for defense-related activities of the Energy Department and other agencies. In addition, the Administration requested \$58.8 billion—\$200 million more than FY2016 appropriated amounts—in discretionary funding for Overseas Contingency Operations (OCO).

The total discretionary funding request of \$609.9 billion, combined with \$9.6 billion in mandatory spending, brought the Administration’s total FY2017 National Defense budget request to \$619.5 billion (see **Table 1**).

The \$609.9 billion discretionary request includes \$523.9 billion to cover the FY2017 discretionary base budget of the Department of Defense (DOD), which is \$2.2 billion, or approximately 1%, higher than the corresponding appropriation for FY2016.² The \$58.8 billion in supplemental funding requested for OCO customarily includes funding related to the incremental cost of operations in Afghanistan and Iraq, but it has been expanded in recent years to include certain DOD activities aimed at quelling Russian aggression and activities of the Islamic State (IS).³

Table 1. FY2017 Budget Request for National Defense (Budget Function 050)

amounts in billions of dollars of budget authority
(totals may not add due to rounding)

	Discretionary	Mandatory	Total
DOD base budget (051)	\$523.9	\$7.9	\$531.8
DOD OCO budget	\$58.8	—	\$58.8
Atomic Energy defense-related (053)	\$19.3	\$1.1	\$20.5
Other defense-related (054)	\$7.8	\$0.6	\$8.4
Total	\$609.9	\$9.6	\$619.5

Source: DOD Comptroller, National Defense Budget Estimates for FY2017 [The Green Book], Table I-9 “National Defense Budget Authority-Discretionary and Mandatory”, pp. 14-15.

Note: Totals may not reconcile due to rounding.

¹ The federal budget is divided into “functions,” each of which encompasses all spending for federal programs intended to serve a broad policy purpose (e.g., national defense, international affairs, income security), regardless of which agency houses the program.

² Discretionary funding is subject to the congressional appropriations process (usually annually, in the case of DOD funds), with a few exceptions. It is distinguished from mandatory spending which occurs as the result of legislatively-mandated formulas codified in permanent law.

³ The Islamic State is also commonly referred to as the Islamic State of Iraq and Syria (ISIL); the Islamic State of Iraq and the Levant (ISIL); or by the Arabic acronym Daesh or Daish.

The Strategic Context

The Administration presented its FY2017 defense budget request as its response to an increasingly complex and unpredictable international security environment.⁴ Some of the unforeseen events that have challenged U.S. security interests since 2014 include

- the rise of the Islamic State;
- Russian-backed proxy warfare in Ukraine;
- North Korean aggression;
- Chinese “island building” in the South China Sea;
- the November 2015 terrorist attacks in Paris;
- the Syrian refugee crisis; and
- the Ebola outbreak in 2014.

In their essentials none of these challenges are “new” in their own right. What makes them uniquely problematic, perhaps even “unprecedented”,⁵ is the speed with which each of them has developed, the scale of their impact on U.S. interests and those of our allies, and the fact that many of these challenges have occurred—and have demanded responses—nearly simultaneously.

The 2015 National Military Strategy (NMS) organized the key security challenges confronting the United States into two primary categories: revisionist states, such as Russia, Iran, and China, and Violent Extremist Organizations, such as al Qaeda and the Islamic State.⁶ This NMS is the first official statement of strategy in more than two decades to assert that there is a “low but growing” possibility that the United States may find itself in a conflict with another major power.⁷

In developing the FY2017 budget to deal with the challenges to U.S. security interests, DOD said it focused on the following priorities:⁸

- being able to deter the most technologically-advanced potential adversaries with conventional weapons, without assuming that U.S. forces would match the size of enemy forces;

⁴ See, for example: DNI Clapper “Worldwide Threats” Testimony before the Senate Armed Services Committee; Department of Defense Press Briefing by Deputy Secretary Work and Gen. Selva on the FY 2017 Defense Department Budget Request in the Pentagon Press Briefing Room, February 9, 2017, found at <http://www.defense.gov/News/News-Transcripts/Transcript-View/Article/653524/departments-of-defense-press-briefing-by-deputy-secretary-work-and-gen-selva-on>; the National Security Strategy, February 2015, found at https://www.whitehouse.gov/sites/default/files/docs/2015_national_security_strategy.pdf; and the Department of Defense Quadrennial Defense Review for 2014 found at http://archive.defense.gov/pubs/2014_Quadrennial_Defense_Review.pdf.

⁵ The Center for Strategic and International Studies, “Open Letter on Defense Reform,” March 14, 2016, <http://csis.org/press/press-release/open-letter-defense-reform>

⁶ Chairman of the Joint Chiefs of Staff, “National Military Strategy of the United States 2015: The United States Military’s Contribution to National Security,” June 2015. Available at http://www.jcs.mil/Portals/36/Documents/Publications/2015_National_Military_Strategy.pdf

⁷ CRS Insight IN10333, *The 2015 National Military Strategy: Background and Questions for Congress*, by Kathleen J. McInnis. See also CRS Report R43838, *A Shift in the International Security Environment: Potential Implications for Defense—Issues for Congress*, by Ronald O’Rourke.

⁸ Department of Defense, “Press Briefing by Deputy Secretary Work and Gen. Selva on the FY 2017 Defense Department Budget Request,” February 9, 2016. <http://www.defense.gov/News/News-Transcripts/Transcript-View/Article/653524/departments-of-defense-press-briefing-by-deputy-secretary-work-and-gen-selva-on>

- increasing the combat effectiveness of U.S. forces by modernizing their equipment and changing their organization rather than by enlarging their numbers; and
- emphasizing innovation.

A number of observers have called for DOD to be more flexible and agile in order to meet a variety of expected and unexpected threats.⁹ One of DOD's key initiatives, called the "Third Offset," is an effort to develop and use advanced technologies to mitigate adversaries' numerical and technological advantages.¹⁰ Under this rubric, according to DOD, priority is being given to technologies relevant to guided munitions, undersea warfare, cyber and electronic warfare, and human-machine teaming, as well as wargaming and the development of new battlefield operating concepts.¹¹

For more on the Strategic Context contact:

Kathleen McInnis, Analyst in International Security Policy, 7-1416, kmcinnis@crs.loc.gov

The Budgetary Context

Congressional deliberations on the FY2017 defense budget may be influenced, in part, by the broader budget discussions over annual appropriations bills since 2011, when binding annual caps on discretionary appropriations (through FY2021) were codified by the Budget Control Act (BCA) of 2011 (P.L. 112-25).¹² In 2012, 2013, and 2015 Congress adjusted the limits on defense and non-defense spending—each time adjusting only the limits for the two succeeding years.¹³ Nevertheless, each of those revisions left intact the enforcement mechanism called "sequestration." Sequestration occurs in any year in which appropriated funds exceed the statutory caps for either the defense or non-defense category than the relevant cap allows, and reduces the amount appropriated to the level of the cap through largely indiscriminate, across-the-board reductions.¹⁴ **Figure 1** depicts the statutory changes to the BCA limits on defense spending.

⁹ See, for example, "Remarks by Chairman Mac Thornberry at the National Press Club," January 13, 2016. http://www.press.org/sites/default/files/20160113_thornberry.pdf

¹⁰ The label implies that the current initiative is comparable in its scope to two earlier "offset" strategies pursued by DOD during the Cold War, each of which was intended to nullify the more numerous conventional combat forces of the Soviet Union. The first was the Eisenhower Administration's reliance on nuclear weapons; the second was the effort, beginning in the late 1970s, to meld long-range target detection equipment, highly accurate guided munitions, and low-observable design (or "stealth").

¹¹ Mackenzie Eaglen, "What is the Third Offset Strategy?" *Real Clear Defense*, February 16, 2016. Available at http://www.realcleardefense.com/articles/2016/02/16/what_is_the_third_offset_strategy_109034.html.

¹² The Budget Control Act of 2011 (P.L. 112-25) codified separate annual limits for each fiscal year through FY2021 that apply to (1.) discretionary funding for defense-related activities (except for war-related costs) and (2.) for all other federal activities. If Congress appropriates in any year more than is allowed by the relevant cap, the limit is enforced by mandatory across-the-board reductions to all appropriations that are covered by that cap—a process called "sequestration."

¹³ Amendments to the BCA limits were made by the American Taxpayer Relief Act (P.L. 112-240), the Bipartisan Budget Act of 2013 (P.L. 113-67) and the Bipartisan Budget Act of 2015 (P.L. 114-74).

¹⁴ See CRS Report R42972, *Sequestration as a Budget Enforcement Process: Frequently Asked Questions*, by Megan S. Lynch.

Figure I. Revisions to Defense Spending (050) Limits

billions of dollars

Defense Spending Caps												
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Budget Control Act of 2011	552	552	555	492	502	512	523	536	549	562	576	590
American Taxpayer Relief Act of 2012	552	552	555	518	498	512	523	536	549	562	576	590
Bipartisan Budget Act of 2013	552	552	555	518	520	521	523	536	549	562	576	590
Bipartisan Budget Act of 2015	552	552	555	518	520	521	548	551	549	562	576	590

Source: CRS Analysis of P.L. 112-25, P.L. 112-240, P.L. 113-67, and P.L. 114-74.

Note: Table highlights indicate a change was made to the original caps.

Within the defense funding arena, one fundamental issue—discussed in the following section—is whether the FY2017 allocation for OCO funding provided by the Bipartisan Budget Act (BBA) of 2015(P.L. 114-74) allows for a higher total appropriation for DOD than the Administration proposed. A second issue—one that may delay work on all FY2017 appropriations bills, including those that fund DOD—is the demand of some House members that the increased non-defense spending allowed by the BBA be offset, in part, by reductions in mandatory spending.

The FY2017 Caps on Defense Spending

The BBA of 2015 increased the discretionary funding caps for National Defense base budget appropriations in FY2017 to \$551.1 billion for FY2017 and the Administration’s FY2017 request matches the BBA cap. The BBA also provided that \$58.8 billion could be appropriated for FY2017 OCO. However, some congressional defense committee members maintain that the bipartisan negotiations from which the BBA emerged contemplated a higher FY2017 defense budget, with additional funds to be provided through funding for OCO, which is not constrained by the spending caps.

As originally drafted in late October 2015, the BBA would have provided for “not less than” \$58.8 billion for defense-related OCO funding in FY2017.¹⁵ But the House Rules Committee adopted an amendment to modify the bill by eliminating the “not less than” language so that, as enacted, the BBA simply states that \$58.8 billion could be appropriated for DOD’s OCO funding in FY2017.¹⁶ That figure exceeded the amount DOD projects for actual FY2017 OCO costs by \$5.2 billion.¹⁷ At issue is how much FY2017 funding designated as OCO (and thus exempt from the budget caps) could be used for base budget purposes under terms of the October 2015 deal.

¹⁵ See “House Amendment to the Senate amendment to H.R. 1314 [Text of the Bipartisan Budget Agreement of 2015],” in the record of the House Rules Committee’s action on that Senate amendment, October 27, 2015, at the committee’s website: <https://rules.house.gov/bill/114/hr-1314-sa-0>.

¹⁶ See “Amendment to the House Amendment offered by Mr. Boehner (Amendment #2),” in the record of the House Rules Committee’s action on “Senate Amendment to H.R. 1314,” October 27, 2015, at the committee’s website: <https://rules.house.gov/bill/114/hr-1314-sa-0>.

¹⁷ DOD Comptroller, *Defense Budget Overview*, Figure 7.3 “OCO Functional Mission/Category Breakout,” pp. 7-3.

In a February 5, 2016 letter to House Budget Committee Chairman Tom Price, House Armed Services Committee Chairman Mac Thornberry asserted that the Administration inaccurately interpreted the budget agreement for OCO “as a ceiling, not a floor.”¹⁸ His letter went on to document the terms of the agreement made during the negotiations on the BBA in November of 2015:

The BBA provided for a base funding level in FY17 of \$551 billion for defense. In addition, the agreement provided for a minimum of \$59 billion in adjustments to the defense cap for OCO, for a total of \$610 billion for national defense. Since it was understood during the budget negotiations that \$551 billion for base funding was insufficient to meet the military’s base requirements, the agreement further designated funding within OCO to cover base budget requirements. The level of funding for base requirements was specific for FY16, but undefined in FY17. However, last year’s budget request and House Budget Resolution both identified the level of funding necessary to support FY17 base requirements as approximately \$574 billion. Therefore, the consensus was that the FY17 base requirements would be supported through a combination of base funding and OCO funding.

On March 23, 2016, Chairman Price introduced the 2017 House Budget Resolution (H.Con.Res. 125), which provides \$551.1 billion in discretionary authority in compliance with the BBA and \$73.7 billion for OCO with the stated assumption that \$23 billion in OCO funding would be dedicated to base defense requirements (H.Rept. 114-470). This would bring the discretionary base budget to the \$574 billion marker set by last year’s negotiations.

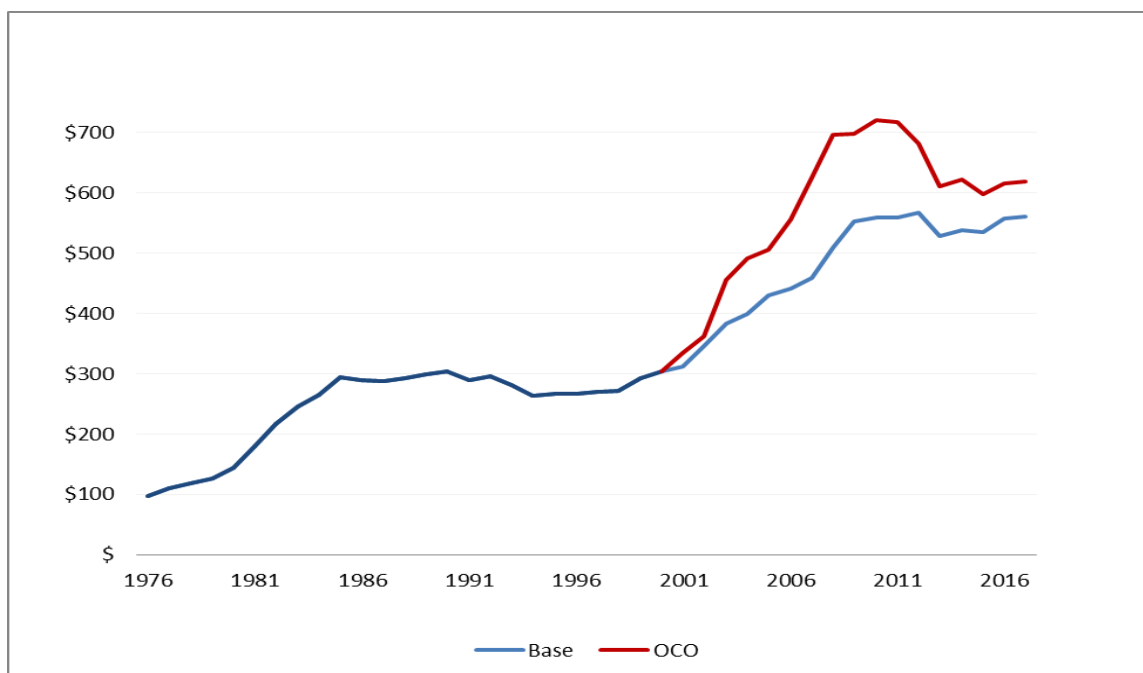
The Historical Context

The \$523.9 billion requested for DOD’s FY2017 base budget is approximately 1% higher than the corresponding FY2016 appropriation of \$521.7 billion. This plateau would follow three consecutive years (FY2013-15) in which the DOD base budget hovered between \$495.0 billion and \$496.1 billion after dropping by approximately \$35 billion (without adjusting for inflation) from the FY2012 level. A 7% reduction in DOD’s budget in FY2013 reflected the government-wide spending reduction program initiated by the 2011 BBA (see **Figure 2**).

¹⁸ Letter from The Honorable William M. “Mac” Thornberry, Chairman, House Committee on Armed Services, to The Honorable Tom Price, M.D., Chairman, House Committee on the Budget, February 5, 2016.

Figure 2. DOD Discretionary Budget Authority, FY1976-2017

billions of dollars

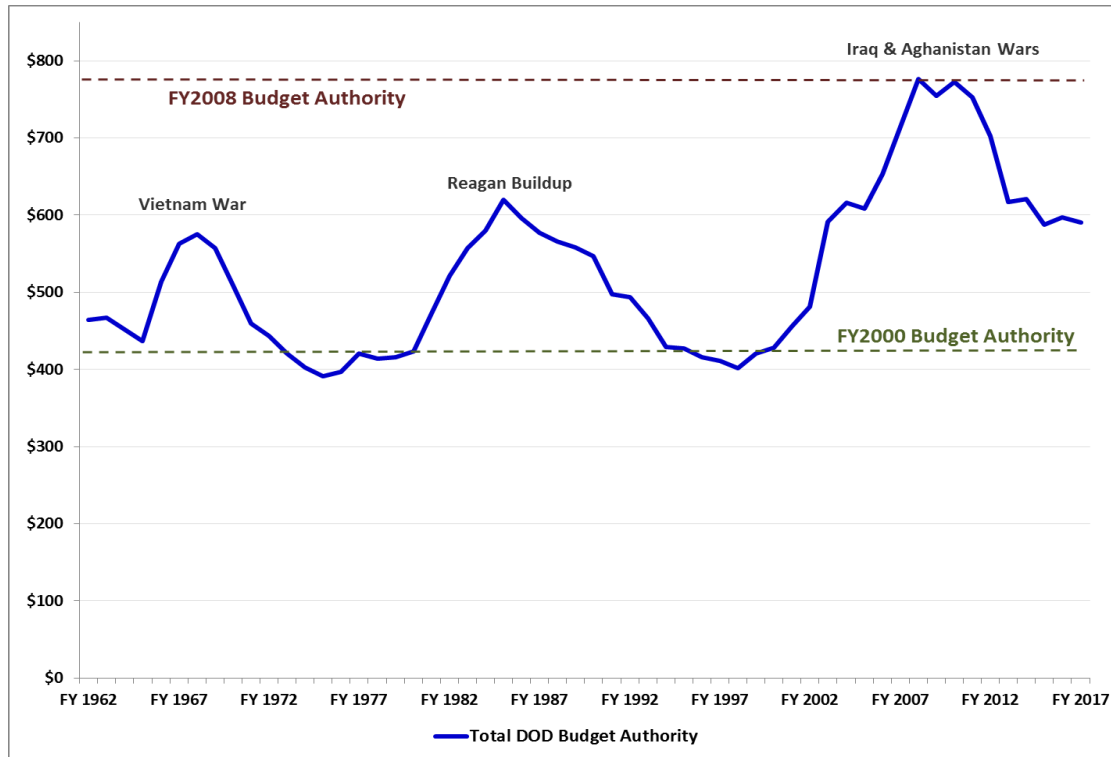


Source: CRS calculation based on data from OMB, *Budget of the United States Government, FY2017: Historical Tables, Table 5-1*, “Budget Authority by Function and Subfunction: 1976-2021”, and DOD Comptroller, *National Defense Budget Estimates for FY2017 [The Green Book], Table 2-1*. “Base Budget, War Funding and Supplementals by Military Department, by Public Law Title,” pp. 22-24.

Note: The base budget incorporates supplemental appropriations associated with natural disasters not connected with OCO. The FY2017 amount is based on the President’s budget request.

Adjusted for the cost of inflation, the FY2017 budget request is approximately 9% higher than the average (mean) annual defense budget authority since the end of the Vietnam War (1975). In further comparison, the requested amount is about 14% lower than the enacted amount in FY1985, the peak year of defense spending during the Cold War. The base budget is 24% higher than last defense budget enacted before the attacks of September 11, 2001. If the \$58.8 billion OCO request is included, the total request is 38% more than the FY2000 enacted base budget (see **Figure 3**).

Figure 3. DOD Budget Authority
billions of 2017 dollars

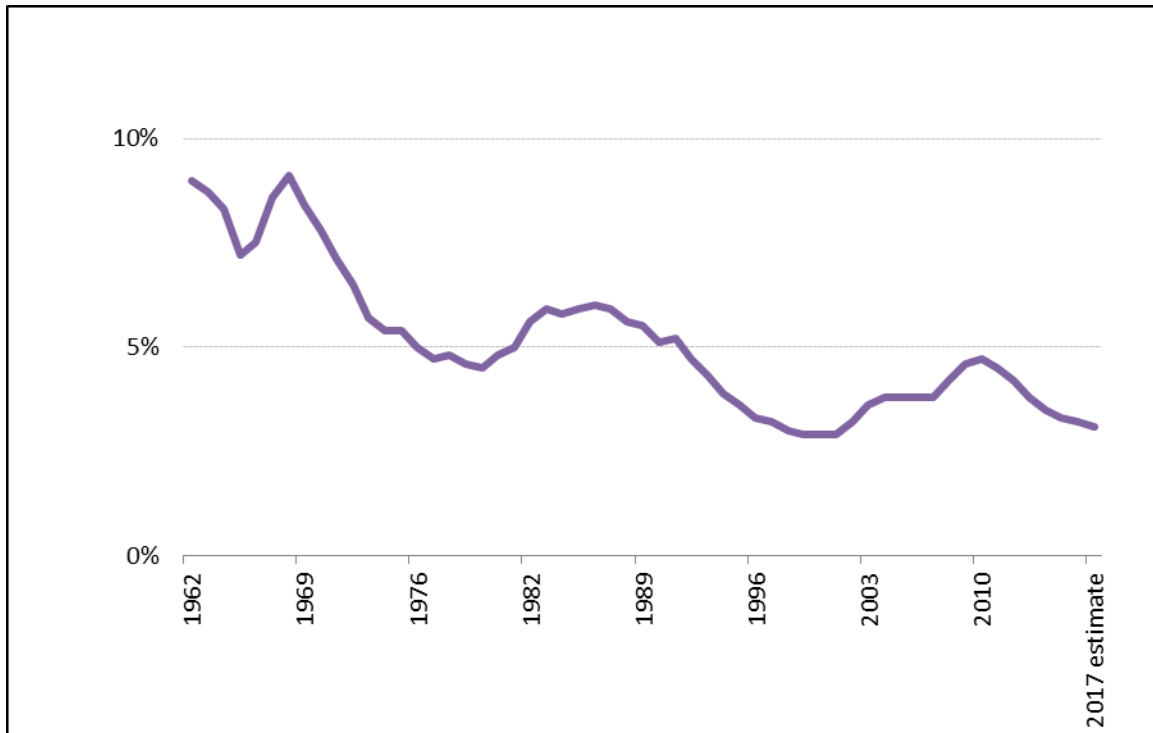


Source: CRS analysis of Department of Defense, National Defense Budget Estimates for FY2017 [The Green Book], Table 6-8, “Department of Defense Budget Authority by Public Law Title,” pp. 133-39.

Note: All enacted and supplemental funding is included (FY2017 includes OCO request). The FY2017 amount is based on the President’s budget request.

At the requested level, the total FY2017 DOD budget (including OCO funds) would amount to about 3% of the Gross Domestic Product (GDP) (see **Figure 4**).

Figure 4. Defense Spending as a Percentage of GDP



Source: Department of Defense, National Defense Budget Estimates for FY2017 [The Green Book], Table 7-7, “Defense Shares of Economic and Budgetary Aggregates,” pp. 264-66.

DOD Base Budget Overview

To balance competing priorities within the FY2017 BBA base budget cap, the Administration requested slightly more funding for Operation and Maintenance (O&M) and slightly less for procurement, compared with FY2016 base budget DOD appropriations (see **Table 2**).

Of the defense budget’s major components, O&M funding is most directly connected to the day-to-day combat readiness of the force, paying for equipment maintenance as well as the conduct of training exercises. The budget request would continue an emphasis—started in 2014—on honing the ability of combat units to wage conventional war against a technologically-sophisticated adversary through training. DOD officials have warned that those skills have atrophied to some degree because of the emphasis since 2002 on training units for counter-terrorist missions in Iraq and Afghanistan.

Table 2. DOD Base Discretionary Budget Authority

billions of dollars

	FY2016 enacted	FY2017 request	Percent change
Military Personnel	\$135.3	\$135.3	-
Operation and Maintenance (O&M)	\$197.5	\$205.9	4.2%
Procurement	\$110.7	\$102.6	-7.4%
Research and Development (R&D)	\$68.8	\$71.4	3.8%
Revolving and Management Funds	\$1.2	\$1.4	16.1%
Military Construction	\$6.9	\$6.1	-11.4%
Family Housing	\$1.3	\$1.3	4.8%
Total	\$521.7	\$523.9	-

Source: Department of Defense Fiscal Year 2017 Budget Request Overview, Office of the Under Secretary of Defense (Comptroller)/CFO, Table A-4, February 9, 2016.

Notes: Because of details in the financing of certain DOD activities and in the organization of the annual DOD funding bills, data in this table are not comparable to the summary data regarding the annual defense authorization and appropriations bills. For example, in this table, the Military Personnel totals include accrual payments to the so-called “TRICARE for Life” program (\$6.6 billion for FY2016 and \$6.4 billion in FY2017) that is scored as discretionary funding but which occurs automatically each year through a permanent provision of law (10 U.S.C. 1116). Similarly, the amounts listed in the table for O&M, Procurement, and R&D include funds that Congress authorizes and appropriates as part of the Defense Health Program, a program to eliminate chemical weapons, and DOD’s drug interdiction and counter-drug program.

Totals may not reconcile due to rounding.

Military Personnel

Military Manpower

The FY2017 budget proposes \$135.3 billion in base funding for military personnel programs¹⁹ plus \$3.6 billion in OCO, for a total of \$138.8 billion. DOD proposed compensation changes alongside the FY2017 budget that are intended to generate savings (see **Table 3**). TRICARE Modernization proposals and amendments to the retirement system are expected to have some initial implementation costs, with savings expected to accrue in subsequent years.

¹⁹ Includes basic pay, retired pay accrual, basic allowance for housing (BAH), basic allowance for subsistence (BAS), special and incentive pays, separation pay, and travel and other allowances.

Table 3. DOD Estimates of Savings in FY2017 Budget
Military Compensation Proposals

Military Compensation Proposals	Projected Savings (in millions of dollars)	
	FY2017 Savings	FY2017-21 Savings
FY2017 Pay Raise of 1.6% (vice 2.1%)	\$300	\$2,200
TRICARE Modernization Plan	-\$100*	\$3,500
Pharmacy Co-Pay Adjustments	\$300	\$2,000
TRICARE for Life Enrollment Fee	\$300	\$1,400
Blended Retirement Amendment	-\$400*	\$1,900
Total Military Compensation Proposal Savings	\$500	\$11,000

Source: Adapted from DOD FY2017 Budget Overview, Figure 6-3.

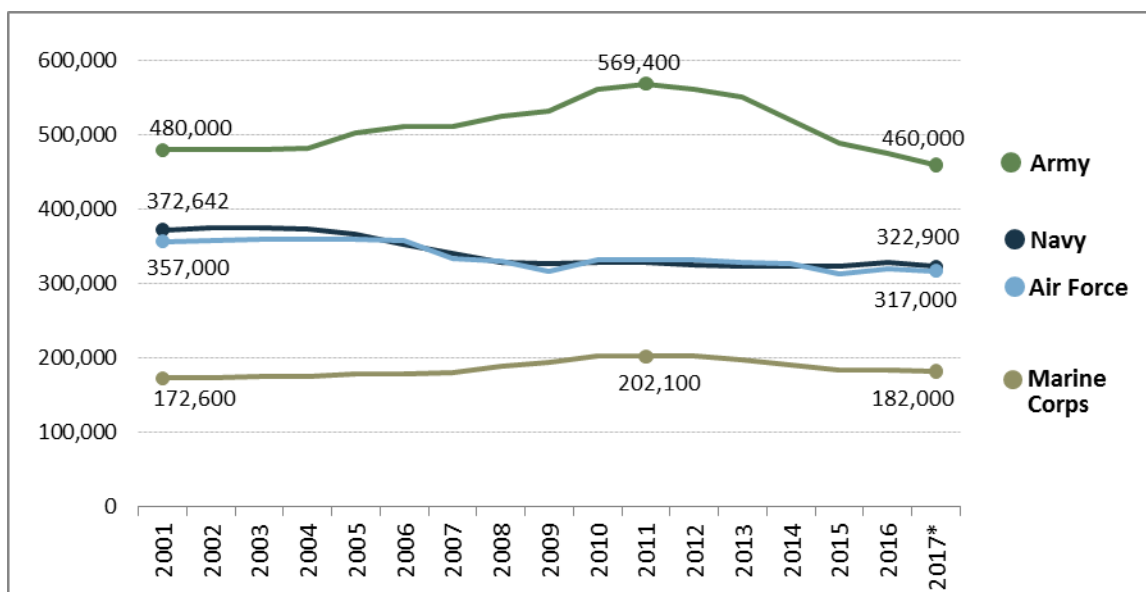
Notes: * indicates initial costs.

Active Duty End Strength

The annual personnel budget is driven partly by authorized end strengths.²⁰ Over the past decade, authorized active duty end strengths have shifted in response to the build-up and draw-down from conflicts in Afghanistan and Iraq. The past five years have witnessed substantial reductions in the personnel strength of U.S. ground forces. Proposed active duty end strength for FY2017 is 1.28 million, down 2.1% from the previous fiscal year and down 8.4% from the most recent peak in 2011 (see **Figure 5**).

²⁰ Authorized end strength is the sum of personnel in the force structure and individual accounts authorized by Congress; it is synonymous with manpower authorizations.

Figure 5. Authorized Active Component End Strength
FY2001 to FY2017



Source: National Defense Authorization Acts for FY2001 to FY2017.

Notes: * FY2017 end strength is proposed.

The Army has seen the biggest end strength reductions in the past 5 years, dropping from a peak of nearly 570,000 in 2011 to a little under 475,000 today—nearly a 17% reduction. The President’s budget proposes a drop to 460,000 by the end of FY2017, with a goal of 450,000 by the end of FY2018. More cuts may be proposed if the BCA limits remains in place. The Marine Corps has also seen substantial reductions dropping from a peak of 202,000 in 2010 to a proposed 182,000 today—a 10% reduction. The Navy and the Air Force have been reducing strength fairly consistently since the end of the Cold War, although both services have had increases in end strength in some years. For FY2017, both the Navy and Air Force have proposed modest strength decreases over the FY2016 authorization.

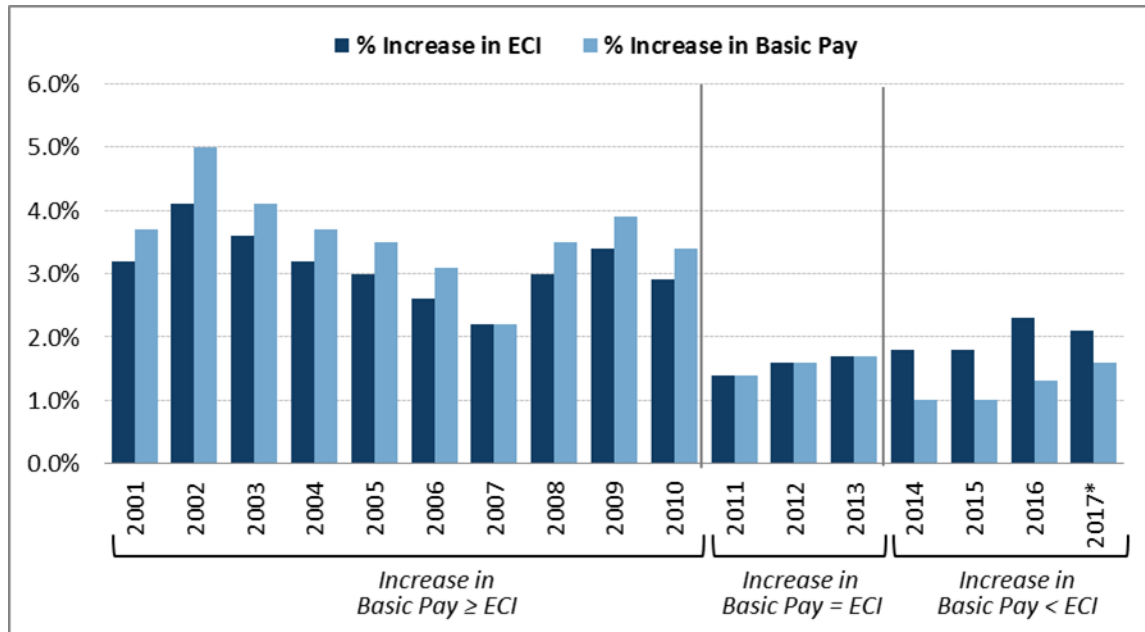
Basic Pay

In addition to shrinking the force size, a major theme in the defense budget in recent years has been reducing military compensation costs. A number of proposals accompanying this year’s budget request seek to further reduce these costs. **Figure 6** shows increases in military basic pay relative to the Employment Cost Index (ECI) from FY2001 to FY2017.²¹ Section 1009 of Title 37 United States Code provides a permanent formula for an automatic annual increase in basic pay indexed to the annual increase in the ECI for “wages and salaries, private industry workers;”

²¹ The Employment Cost Index (ECI) is a quarterly measure of the change in the price of labor, defined as compensation per employee hour worked. The Bureau of Labor Statistics reports the ECI which is computed from compensation cost data collected from a sample of jobs within sampled business establishments and government operations. The data are weighted to represent the universe of establishments and occupations in the nonfarm private sector and in State and local governments. For more information see <http://www.bls.gov/ncs/ect/>

however the President has authority to specify an alternative pay adjustment that supersedes the automatic adjustment.²²

Figure 6. Basic Pay Increases



Source: Increase in ECI from Bureau of Labor Statistics; provision enacted into law from relevant NDAA.

Notes: *FY2001 to FY2016 basic pay increases are enacted, FY2017 is proposed.

As shown in **Figure 6**, from FY2001-FY2010 increases in basic pay were generally above ECI. From FY2011-FY2014 pay raises were equal to ECI per the statutory formula. From FY2014 to FY2016, pay raises were *less than* the ECI. In these years, the President invoked his authority to set an alternative pay adjustment, and Congress did not act to overturn that decision. This year, the trend continues with a proposed 1.6% increase in basic pay for military personnel rather than the 2.1% increase in ECI. The estimated savings from using the lower increase in FY2017 is approximately \$264 million.

Basic Allowance for Housing

Since the establishment of the U.S. armed forces, service members have been provided with government-furnished housing or a cash payment in lieu thereof. About a third of the active duty servicemembers living in the United State occupy government housing, with two-thirds receiving Basic Allowance for Housing (BAH), which is tax exempt. The allowance, which is based on a survey of housing costs, is intended to cover out-of-pocket expenses for renting a house or apartment of a size deemed appropriate for the service member's rank (with additional space allowed for a member with dependents).

In 1996, BAH was estimated to cover about 80% of housing costs.²³ Subsequent statutory changes raised BAH rates to 100% of the cost of adequate housing by 2005.²⁴ In response to an

²² For more information see CRS In Focus IF10260, *Military Pay Raise*, by Lawrence Kapp.

²³ "In creating the BAQ and the Variable Housing Allowance [the predecessors to BAH], Congress intended to cover (continued...)"

FY2015 proposal by the Administration, the NDAA allowed the Secretary of Defense to reduce BAH payments by 1% of the national average monthly housing cost,²⁵ and the FY2016 NDAA extended this authority, authorizing an additional 1% reduction per year through 2019 (for a maximum reduction of 5% of the national monthly average housing cost).²⁶ The FY2017 budget request would continue these phased reductions at 1% per year.

Retired Pay

In the FY2016 NDAA, Congress authorized significant changes to the military retirement system.²⁷ The new system will go into effect on January 1, 2018 for all new servicemembers and for those with less than 12 years of service who opt in. The new system continues to provide a defined annuity after 20 years of qualifying service but reduces the annuity from 50% to 40% of the retiree's base pay. The plan includes automatic and matching contributions by the government to a 401k-like plan called the Thrift Savings Plan for all servicemembers.

DOD has proposed amendments to the new plan that would provide more flexibility to manage continuation pay for force-shaping purposes. DOD proposals would also increase the amount of government-matching contributions, would move back the start date of matching contributions to the beginning of the 5th year of service from the 3rd year of service, as enacted in FY2016, to coincide with the typical end of first enlistment, and would extend DOD-matching contributions to the servicemember's retirement.

Health Care

The Administration proposed some TRICARE changes that would require legislative action. Along with new participation fees and increases to copayments and the catastrophic maximum out-of-pocket allowance, some improved benefits would be offered. Under the proposed changes, active duty family members would be offered a no-cost care option regardless of assignment location and would not have to make copayments for emergency room visits. Medically-retired members and their families, and survivors of those who died on active duty would have no participation fee and lower cost shares. Active duty service members would continue to have no cost sharing or participation fees.

For more Military Personnel information contact:

Lawrence Kapp, Specialist in Military Manpower Policy, 7-7609, lkapp@crs.loc.gov

(...continued)

85 percent of service members' housing costs. In reality though, housing allowances only covered approximately 80 percent of service members' total housing expenses in 1996. In an effort to close that gap, the Department funded a 3.0 percent increase in housing allowances in 1997, and Congress added an additional 1.6 percent. This will lower out-of-pocket housing costs to approximately 19% percent of a service member's total costs, the lowest percentage since before 1987." Testimony of Fred Pang, Assistant Secretary of Defense for Force Management Policy, before the House National Security Committee, Military Personnel Subcommittee, March 14, 1997.

²⁴ For more information on this topic, see Department of Defense, Military Compensation Background Papers, 7th edition, 2011, pp. 170-173, available here: http://www.loc.gov/rr/frd/pdf-files/Military_Comp-2011.pdf.

²⁵ Also, starting in 2015, the Department of Defense decided it would no longer consider renter's insurance in its BAH calculations. This change effectively reduced BAH rates by an additional 1%.

²⁶ P.L. 113-291, section 604 and P.L. 114-92, section 603.

²⁷ For more information on the new retirement system see CRS Report RL34751, *Military Retirement: Background and Recent Developments*, by Kristy N. Kamarck.

Don Jansen, Analyst in Defense Health Care Policy, 7-4769, djansen@crs.loc.gov

Kristy Kamark, Analyst in Military Manpower Policy, 7-7783, kkamark@crs.loc.gov

Operation and Maintenance

The FY2017 base budget request for O&M funding is \$206.0 billion, which is \$7.5 billion or 3.6% more than the FY2016 enacted level. The Administration also requested \$45.0 billion in OCO O&M, for a total O&M request of \$251.0 billion. O&M appropriations include funds for activities generally regarded as essential to the “readiness” of the force—recruiting, organizing, sustaining, equipping, and training the force. Included in the O&M base budget request is \$19.7 billion for depot maintenance of ships, planes, combat vehicles, and associated equipment. This is a \$2.0 billion increase from the amount appropriated for depot maintenance in FY2016.

Since 2013, DOD officials have lamented deficiencies in the readiness of U.S. forces for the “full-spectrum” of missions they might be given.²⁸ Specifically, the concern is that the forces’ preparedness to wage conventional war against similarly trained and equipped adversaries has atrophied in the course of more than a decade of counterinsurgency-centric campaigns in Iraq and Afghanistan. DOD officials contend that funding shortfalls due to sequestration in FY2013 disrupted efforts to restore readiness for full-spectrum operations and delayed targeted recovery dates. These officials maintain that the BBA funding caps continue to hinder the Department’s efforts to restore full-spectrum readiness.²⁹ Nevertheless, the Budget Request Overview document asserts that the requested O&M funding levels for FY2017 will allow the Joint Force to meet steady state demand requirements and strategic obligations.

The military services have each set readiness priorities: the Army will optimize Combat Training Center capacity to increase full-spectrum training; the Navy will continue implementation of the Optimized Fleet Response Plan to balance critical maintenance and training activities with operational demand for forces; the Marine Corps request fully funds the Integrated Combined Arms Exercises for all elements of the Marine Air Ground Task Forces; and the Air Force will prioritize funding for flying hours and invest in exercise capacity and training range modernization to maximize training opportunities.³⁰

For more Operation and Maintenance information contact:

Pat Towell, Specialist in U.S. Defense Policy and Budget, 7-2122, ptowell@crs.loc.gov

Lynn Williams, Analyst in U.S. Defense Budget Policy, 7-0569, lmwilliams@crs.loc.gov

Modernization and Investments

Selected Ground Combat Vehicle Programs

The Army’s Ground Combat Vehicle budget focuses funding in the near-term on the Army’s proven platforms (Abrams, Bradley and Stryker)³¹ and the development of the Armored Multi-

²⁸ Department of Defense Fiscal Year 2014 Budget Request Overview, Office of the Under Secretary of Defense (Comptroller)/CFO, April, 2013, pp. 7-14.

²⁹ Department of Defense Fiscal Year 2017 Budget Request Overview, Office of the Under Secretary of Defense (Comptroller)/CFO, February 9, 2016, pp. 3-1.

³⁰ Ibid.

³¹ CRS Report R41597, *The Army’s Ground Combat Vehicle (GCV) Program: Background and Issues for Congress*, by (continued...)

Purpose Vehicle (AMPV).³² The Army is presently upgrading its Abrams, Bradley and Stryker fleets and might undertake efforts to up-gun Stryker fighting vehicles to enhance their lethality. The AMPV is being developed using current vehicle technologies and is intended to replace thousands of Vietnam-era M-113 Armored Personnel Carriers being used in various support roles, primarily in Armored Brigade Combat Teams.

In terms of long-term focus, the Army continues to examine various options to develop a Future Fighting Vehicle to replace Bradley Infantry Fighting Vehicles. Additionally, the Joint Light Tactical Vehicle (JLTV), slated to replace the High Mobility, Multi-Wheeled Vehicle, or “Humvee”, is currently in low-rate initial production.³³ The request also includes funding for development of a new Amphibious Combat Vehicle (ACV) for the Marine Corps.³⁴

FY2017 funding requests for selected Army and Marine Corps ground combat systems are summarized in Appendix **Table A-1**. Following are some highlights:

- \$735.4 million procurement request—\$587.5 million for the Army and \$113.2 million for the Marine Corps—for 2,020 JLTVs ;
- \$594.5 million to rebuild Paladin self-propelled cannons, modernize electronics and mount the existing gun onto the chassis of a Bradley troop carrier;
- \$590.6 million to upgrade Stryker wheeled armored troop carriers, some of which would be used to install on some older Strykers a V-shaped underside to partially deflect the blast of a buried mine;
- \$480.2 million to modernize M-1 tanks;
- \$184.2 million to complete production of 29 prototype AMPVs slated for shakedown testing at government test sites; and
- \$158.7 million to continue development of the ACV.

For more Ground Combat Vehicle information contact:

Andy Feickert, Specialist in Military Ground Forces, 7-7673, afeichert@rs.loc.gov

Selected Shipbuilding Programs

The planned size of the Navy, the rate of Navy ship procurement, and the prospective affordability of the Navy’s shipbuilding plans have been matters of concern for the congressional defense committees for the past several years. Concerns over the current and future size and capability of the Navy have intensified with the recent shift in the international security environment to a situation featuring renewed great power competition.³⁵

(...continued)

Andrew Feickert.

³² CRS Report R43240, *The Army’s Armored Multi-Purpose Vehicle (AMPV): Background and Issues for Congress*, by Andrew Feickert.

³³ CRS Report RS22942, *Joint Light Tactical Vehicle (JLTV): Background and Issues for Congress*, by Andrew Feickert.

³⁴ CRS Report R42723, *Marine Corps Amphibious Combat Vehicle (ACV) and Marine Personnel Carrier (MPC): Background and Issues for Congress*, by Andrew Feickert.

³⁵ For more on this shift, see CRS Report R43838, *A Shift in the International Security Environment: Potential Implications for Defense—Issues for Congress*, by Ronald O’Rourke.

The Navy's proposed FY2017 budget requested funding for the procurement of seven new ships—two Virginia-class attack submarines, two DDG-51 class destroyers, two Littoral Combat Ships (LCSs), and one LHA-6 class amphibious assault ship. The Navy's FY2017-FY2021 five-year shipbuilding plan includes a total of 38 new ships, compared to the five-year plan sent to Congress in 2015, which projected funding of 48 new ships during this period.

FY2017 funding requests for selected Navy shipbuilding programs are summarized in Appendix **Table A-2**. Following are some highlights:

Ohio Replacement Ballistic Missile Submarine Program³⁶

The Navy's proposed FY2017 budget includes \$1.1 billion for continued research and development funding and \$773.1 million for the first increment of advance procurement (AP) funding for the Ohio replacement program, a program to build a class of 12 new ballistic missile submarines. One issue for Congress is whether to authorize and appropriate the FY2017 AP funding for the program in the Navy's shipbuilding budget, known formally as the Shipbuilding and Conversion, Navy (SCN) appropriation account, or in the National Sea-Based Deterrence Fund, a separate DOD fund established by Congress in the FY2015 NDAA and amended in the FY2016 NDAA. The Navy is requesting the AP funding in the SCN account.

The Navy has announced its preferred division of work for the Ohio replacement programs between the country's two submarine-construction shipyards—General Dynamics' Electric Boat Division and Huntington Ingalls Industries' Newport News Shipbuilding. The Navy states that both shipyards have agreed to the Navy's proposed division of work. An issue for Congress is whether to approve, reject, or modify the Navy's proposed division of work.

Virginia Class Attack Submarine Program³⁷

The request includes \$5.1 billion to continue procuring Virginia-class attack submarines at a rate of two per year under a ten-ship multiyear procurement (MYP) contract for FY2014-FY2018. The Navy's FY2017-FY2021 five-year shipbuilding plan proposes including in one of the two Virginia-class boats projected for FY2019, and all Virginia-class boats procured in FY2020 and subsequent years, the Virginia Payload Module (VPM)—an additional ship section that will increase the boat's weapon payload. In contrast, the Navy's budget submission last year proposed building some, but not all, Virginia-class boats procured in FY2020 and subsequent years with the VPM.

One potential issue for Congress for FY2017 is whether to approve, reject, or modify the planned number of VPM-equipped Virginia-class boats. Another issue for Congress is whether to begin providing funding in FY2017 to support the procurement of one or more Virginia-class boats that would be in addition to those shown in the Navy's shipbuilding plan, so as to mitigate a shortfall in attack submarines (relative to the Navy's attack submarine force-level goal) that is projected to emerge in the 2020s.

³⁶ For more on the Ohio replacement program, see CRS Report R41129, *Navy Ohio Replacement (SSBN[X]) Ballistic Missile Submarine Program: Background and Issues for Congress*, by Ronald O'Rourke.

³⁷ For more on the Virginia-class program, see CRS Report RL32418, *Navy Virginia (SSN-774) Class Attack Submarine Procurement: Background and Issues for Congress*, by Ronald O'Rourke.

CVN-78 Class Aircraft Carrier Program³⁸

The Navy's proposed FY2017 budget requests a \$1.3 billion increment of procurement funding for CVN-79, the second Gerald R. Ford (CVN-78) class aircraft carrier, and \$1.4 billion in AP funding for CVN-80, the third ship in the class.³⁹ Past cost growth in the CVN-78 program, and Navy efforts to manage the program within congressionally legislated cost caps, have been a continuing focus of congressional oversight in recent years. Another issue for Congress for FY2017 is whether to provide AP funding in FY2017 for the procurement of materials for CVN-81, the fourth ship in the class (which is scheduled for procurement in FY2023), so as to enable a combined purchase of materials for CVN-80 and CVN-81 and thereby reduce the combined procurement cost of the two ships. The Navy's proposed FY2017 budget does not request any AP funding for CVN-81; the Navy's plan is to request initial AP funding for CVN-81 in FY2021.

Modernization of Cruisers⁴⁰

Congress in recent years has pushed back against Navy proposals for operating and modernizing its force of 22 Aegis cruisers. When the Navy proposed retiring seven of the ships years before the end of their service lives, Congress rejected the proposal. When the Navy then proposed taking 11 of the 22 ships temporarily out of service for modernization, and then returning them to service years later as one-for-one replacements for the other 11 ships in the class, Congress modified the Navy's proposed schedule. In its proposed FY2017 budget, the Navy is once again asking to modernize the 11 ships along the Navy's preferred schedule, rather than the modified schedule directed by Congress. One issue for Congress is whether to approve, reject, or modify the Navy's proposal for modernizing the 11 cruisers.

DDG-51 Destroyer Program⁴¹

The FY2017 request includes \$3.3 billion to continue procurement of DDG-51 destroyers at an average rate of two ships per year under a 10-ship MYP contract for FY2013-FY2017. As part of its markup of the Navy's FY2016 budget, Congress provided \$1.0 billion in additional procurement funding to help pay for the procurement of an additional DDG-51. The Navy's proposed FY2017 budget notes this \$1.0 billion in funding but does not show the additional ship in its shipbuilding plan. The \$433.0 million needed to complete the funding for this additional ship, however, is included as the second item on the Navy's FY2017 Unfunded Requirements List (URL). An issue for Congress is whether to provide this \$433.0 million in FY2017.

Littoral Combat Ship (LCS) Program⁴²

In December 2015, Secretary of Defense Ashton Carter directed that the LCS program be reduced from a planned total of 52 ships to a planned total of 40 ships, that annual procurement quantities

³⁸ For more on the CVN-78 program, see CRS Report RS20643, *Navy Ford (CVN-78) Class Aircraft Carrier Program: Background and Issues for Congress*, by Ronald O'Rourke.

³⁹ In the backup material sent to Congress with its FY2017 budget request, the Navy projected the total cost of these two carriers to be \$12.9 billion (CVN-79) and \$11.4 billion (CNV-80).

⁴⁰ For more on the issue of the modernization of the Navy's cruisers, see CRS Report RL32665, *Navy Force Structure and Shipbuilding Plans: Background and Issues for Congress*, by Ronald O'Rourke.

⁴¹ For more on the DDG-51 program, see CRS Report RL32109, *Navy DDG-51 and DDG-1000 Destroyer Programs: Background and Issues for Congress*, by Ronald O'Rourke.

⁴² For more on the LCS program, see CRS Report RL33741, *Navy Littoral Combat Ship (LCS)/Frigate Program: Background and Issues for Congress*, by Ronald O'Rourke.

of LCSs be reduced during the Navy's FY2017-FY2021 five-year shipbuilding plan, and that the Navy choose one of the two current LCS builders, so that LCSs procured in FY2019 and subsequent years would be produced by only one builder. Reflecting this direction, the Navy's proposed FY2017 budget requests \$1.5 billion for the procurement of two LCSs, rather than the three LCSs that were projected for FY2017 under the FY2016 budget submission. One issue for Congress is how many LCSs to fund in FY2017. Another issue is whether to approve, reject, or modify the reduction of the program to 40 ships and the direction to carry out a downselect to a single builder.

LHA-8 Amphibious Assault Ship

In recent years, LHA-type amphibious assault ships have been funded using split funding (i.e., two-year incremental funding). The Navy's FY2017 budget submission proposes using split funding—\$1.6 billion requested in FY2017 and a plan to request \$1.7 billion in FY2018—to procure an amphibious assault ship called LHA-8. An issue for Congress is whether to approve, reject, or modify the Navy's plan for funding the ship. The Navy during 2016 will announce the outcome of a competition between General Dynamics' National Steel and Shipbuilding Company and Huntington Ingalls Industries' Ingalls Shipbuilding for the right to build LHA-8 and the first six ships in the TAO-205 class oiler program. One of these shipyards will build LHA-8; the other shipyard will build the first six TAO-205 class ships. As part of its review of the Navy's proposed FY2017 budget, Congress will have an opportunity to react to the Navy's decision on the combined solicitation.

For more Shipbuilding Program information contact:

Ron O'Rourke, Specialist in Naval Affairs, 7-7610, rorourke@crs.loc.gov

Selected Aviation Programs

When looking at the various services' plans for acquiring aviation systems, one theme becomes clear: deferral. The Army and Air Force have chosen to delay their previously-planned aircraft purchases, and the Navy plans to meet its aviation modernization goals by inviting Congress to add funds to its budget request to pay for so-called "unfunded requirements." Army officials emphasized that the service's FY2017 budget request gave priority to readiness over modernization.⁴³ Within the Army's modernization budget, helicopter programs felt the brunt of the budget squeeze. The Army's \$3.9 billion budget request for aircraft procurement in FY2017 (which includes modernization as well as the acquisition of new aircraft), is less than one-third of the service's FY2016 aircraft procurement account.

FY2017 funding requests for selected aircraft programs of the four armed forces are summarized in Appendix **Table A-3**. Following are some highlights:

Air Force Aviation Programs⁴⁴

The Air Force's modernization squeeze has been widely recognized. The simultaneous attempt to modernize Air Force fighters with the F-35, bombers with the B-21, trainers with the T-X, and other systems has created a classic "bow wave" of acquisitions, in which systems already being

⁴³ Michelle Tan, "Interview: U.S. Army Chief of Staff Gen. Mark Milley," *Defense News*, October 14, 2015.

⁴⁴ For more on Air Force aviation programs see CRS Report R44305, *The Air Force Aviation Investment Challenge*, by Jeremiah Gertler.

procured and others moving from development into procurement exceed the available procurement budget.⁴⁵ On top of that, the Air Force faces other requirements for modernization, particularly in strategic nuclear forces.

The Air Force FY2017 budget submission attempts to relieve some of that budget pressure by deferring planned acquisitions. The request includes \$4.4 billion for 43 F-35A Lightning II fighters (5 fewer than projected last year), and the Air Force now plans to acquire 45 fewer F-35A's during the period FY2017-FY2021 than planned just last year. The request also includes \$1.4 billion for the B-21 Long Range Strike-Bomber program. Funding for the B-21 program has been reduced by \$3.5 billion over the period FY2017-2021 but the Air Force attributes the reduction to lower than expected bids for the bomber, not a reduction in procurement quantities. Recapitalization of the E-8 JSTARS fleet is also delayed from previous plans.

Army Aviation Programs

If anything, the deferral situation is even more explicit in the Army, which requests 110 helicopters instead of the 144 projected in FY2016. Specifically, the request includes

- \$929.2 million for 36 UH-60M Black Hawk helicopters (26 fewer than projected last year);
- \$565.0 million for 22 CH-47 Chinook helicopters (5 fewer than projected last year) ; and
- \$1.1 billion to remanufacture 52 AH-64 Apache helicopters (5 fewer than projected last year).

Army leadership has attributed these deferrals primarily to budget concerns and force structure issues resulting from the recently-issued report of the National Commission on the Future of the Army.⁴⁶

Navy and Marine Corps Aviation Programs

In part because of competing budget pressures such as strategic force modernization, the Navy's aviation plan in the budget request largely follows previous years' plans; however, over the last few years, Congress has added 49 F/A-18s to the Navy's requests.⁴⁷ While the FY2017 Navy budget submission includes \$185 million for 2 F/A-18 Super Hornet fighters and 20 F-35C Joint Strike Fighters, the Navy URL asks for another 14 Super Hornets. In the letter to Congress accompanying the URL, the Chief of Naval Operations stated

Our legacy strike fighters (F/A-18A-D) are reaching end of life faster than planned due to use and wear. Improving the inventory of F/A-18F and F-35C aircraft will help reconcile a near term (2018-2020) strike fighter inventory capacity challenge, and longer term (2020-2035) strike fighter model balance within the carrier air wing. It will reduce our

⁴⁵ A modernization "bow wave" is a commonly used term to describe long-term defense modernization plans that depend on a significant increase in future funding. For more on this see *Defense Modernization Plans through the 2020s: Addressing the Bow Wave.*, by Todd Harrison, Center for Strategic and International Studies, Washington, DC, January 2016, http://csis.org/files/publication/160126_Harrison_DefenseModernization_Web.pdf.

⁴⁶ These issues are explained in CRS Report R44366, *National Commission on the Future of the Army (NCFA): Background and Issues for Congress*, by Andrew Feickert.

⁴⁷ Congress provided for 49 F/A-18s in FY2014-FY2016 that were not included in the Department of the Navy budget request for those years.

reliance on legacy-model aircraft which are becoming increasingly expensive and less reliable.⁴⁸

These unfunded requirements manifest themselves in the Navy's FY2017 proposal to disestablish one of the Navy's 10 carrier air wings. In recent years, the number of carrier air wings has usually been one less than the number of carriers, in recognition of the fact that at any given moment, one carrier is undergoing a lengthy mid-life nuclear refueling overhaul. The Navy's proposal to reduce the number of carrier air wings from 10 to 9 would mean that the number of air wings would be two less than the number of carriers (the Navy's carrier force is scheduled to increase from 10 to 11 next year with the commissioning of the first CVN-78 class aircraft carrier). Navy officials have testified that in light of how the Navy now operates and maintains the carrier force, it will now make sense for the number of carrier air wings to be two less than the number of carriers. One issue for Congress is whether to approve, reject, or modify the Navy's proposal to disestablish a carrier air wing. The Navy might need legislative relief to implement its proposal—section 1093 of the FY2012 NDAA requires the Navy to maintain 10 carrier air wings.⁴⁹

For the Marine Corps, the successful operational testing of the short take-off and vertical landing (STOVL) variant of the F-35 on the U.S.S. WASP (LHD-1) in 2015 continues the progress of the JSF program. The F-35B reached initial operational capability in July 2015 and the budget includes \$2.0 billion for procurement 16 F-35B STOVL aircraft in FY2017. The Marine Corps is also investing heavily in rotary wing aircraft in this budget request which includes \$844.2 million to accelerate procurement of the final 78 AH-1Z/UH-1Y Cobra helicopters, and \$1.3 billion to procure 16 MV-22 Ospreys.

For more Aviation Program information contact:

JJ Gertler, Specialist in Military Aviation, 7-5107, jgertler@crs.loc.gov

Strategic Nuclear Programs

The President's FY2017 budget continues to fund a wide range of programs, at both DOD and the Department of Energy (DOE), that are intended to sustain and modernize U.S. nuclear weapons. The DOD budget includes nearly \$4.7 billion in R&D and procurement funding to upgrade and replace U.S. nuclear weapons delivery systems.

FY2017 funding requests for selected long-range strike aircraft and missiles are summarized in Appendix **Table A-3**. Following are some highlights:

- \$1.9 billion for the design and procurement of the new Ohio-replacement ballistic missile submarine;⁵⁰
- \$1.1 billion for modifications and life-extension for the D-5 ballistic missile carried on Ohio-class submarines;
- \$1.4 billion for development of the new B-21 Long Range Strike-Bomber;⁵¹

⁴⁸ Letter from Johnathan W. Greenert, Chief of Naval Operations, to Honorable Harold "Hal" Rogers, Chairman, Committee on Appropriations, House of Representatives, March 13, 2015.

⁴⁹ P.L. 112-81. For more on the proposal to disestablish a carrier air wing, see CRS Report RS20643, *Navy Ford (CVN-78) Class Aircraft Carrier Program: Background and Issues for Congress*, by Ronald O'Rourke.

⁵⁰ For additional information see *Ohio Replacement Ballistic Missile Submarine Program* discussion above.

⁵¹ For additional information see *Air Force Aviation Programs* discussion above.

- \$113.9 million for research into the new ground-based strategic deterrent, which will eventually replace existing long-range land-based ballistic missiles;
- \$95.6 million for development of the a new long-range stand-off missile (LRSO), which will replace the existing air-launched cruise missile;
- \$137.9 million for the development of a new tail-kit for the B61 gravity bomb, which is also undergoing a life extension program; and
- As part of the \$4.4 billion requested for the F-35A Joint Strike Fighter, \$25.7 million is designated to equip with the capability to deliver B61 nuclear bombs.

The FY2017 DOE budget includes \$9.2 billion for nuclear weapons activities at the National Nuclear Security Administration (NNSA). This funding supports science, engineering, and maintenance programs that ensure the reliability and effectiveness of existing nuclear warheads, infrastructure funding that supports operations, maintenance, and upgrades to the facilities in the U.S. nuclear weapons complex, and life extension programs that are designed to extend the life, and improve safety and security, of U.S. nuclear warheads. NNSA is nearing completion of the program to extend the life of the W76 warhead carried by D-5 submarine-launched ballistic missiles (SLBMs), and is pursuing programs to consolidate and extend the life of several different versions of the B61 air-delivered bomb and continue with alterations and improvements to the W88 warhead carried by D-5 SLBMs. It is also beginning a program to modify and life-extend the W80 cruise missile warhead, with the new W80-4 planned for use on the new LRSO missile.

Pentagon officials and military leaders have argued that the United States must pursue these modernization programs to ensure that the United States maintains a safe, secure and effective nuclear arsenal into the future. At the same time, Pentagon officials have noted that the costs for these modernization programs will rise over the next 10-15 years, eventually consuming 6-7% of the DOD budget. Robert Scher, the Assistant Secretary of Defense for Strategy, Plans, and Capabilities noted that in the current strategic context the choice “is not between keeping or modernizing the current forces” but “between modernizing those forces or watching a slow and unacceptable degradation in our ability to deter.”⁵²

Analysts outside government have criticized the Administration’s nuclear modernization program and the budget request for FY2017. They argue that the budget is bloated, and that some of the programs are unnecessary, as the United States appears to be rebuilding its Cold War-era arsenal instead of maintaining a force more suited to 21st century threats.⁵³ They also note that funding for these programs could draw resources away from conventional programs, particularly during the peak funding years in the mid-2020s, when, they argue, the conventional programs are more important to meet the threats the United States is likely to face in the future.⁵⁴

For more Strategic Nuclear Program information contact:

Amy Woolf, Specialist in Nuclear Weapons Policy, 7-2379, awoolf@crs.loc.gov

⁵² Robert Scher, Prepared Testimony before SASC, February 9, 2010, p. 4.

⁵³ Kingston Reif, “Last Obama Budget Goes for Broke on Nuclear Weapons,” *Arms Control Association Blog*, February 9, 2016. See also, Kingston Reif, “Budget Would Raise Nuclear Spending,” *Arms Control Today*, March 2016.

⁵⁴ For additional analysis, see CRS Report RL33640, *U.S. Strategic Nuclear Forces: Background, Developments, and Issues*, by Amy F. Woolf.

Ballistic Missile Defense Programs

For FY2017 the Administration requests \$9.1 billion to develop and deploy ballistic missile defense (BMD) capabilities, which is a decrease of about \$700 million from the FY2016-enacted level of \$9.8 billion. The request includes \$7.5 billion for the Missile Defense Agency (MDA) and the remainder primarily for the Army Patriot missile defense program.⁵⁵

FY2017 funding requests for selected elements of the missile defense program are summarized in Appendix **Table A-3**.

For homeland defense, the FY2017 request of \$1.7 billion seeks to maintain the commitment to high operational readiness of the Ground-based Missile Defense (GMD) system and to increase the number of deployed Ground-based Interceptors (GBI) to 44 (over the FY2016 level of 30) at the two GMD sites at Fort Greely, AK and Vandenberg Air Force Base, CA. A major test is scheduled for fall 2016. It will be the first BMD test against a target of intercontinental ballistic missile range (about 5,700 km) since June 1984. The Administration's FY2017 request would slip another key GBI test to the first quarter of FY2018 due to budgetary constraints.⁵⁶

Congress has expressed strong interest in a third BMD site in the eastern United States. MDA is currently evaluating three military bases for deployment of a possible third GMD site (Fort Custer, MI, Fort Drum, NY, and Camp Ravenna, OH). A fourth site in Maine was considered, but is not being carried forward in the draft environmental impact statement.

The FY2017 request continues to support the European Phased Adaptive Approach (EPAA), which is the U.S. commitment to NATO's territorial BMD effort. At the end of 2015, the United States completed Phase 2 of the EPAA with the deployment of an Aegis Ashore site in Romania. The FY2017 request supports the implementation of Phase 3 of the EPAA, to include the deployment of an Aegis Ashore site in Poland during FY2018. The FY2017 request also continues U.S. contributions to the Israeli Iron Dome system designed to defeat short-range rockets and continues support for both the Israeli Arrow and the David's Sling weapon systems.⁵⁷

For more Ballistic Missile Defense Program information contact:

Steve Hildreth, Specialist in U.S. & Foreign National Security Programs, 7-7635,
shildreth@crs.loc.gov

Space and Space-based Systems

For FY2017 the Administration's request includes \$7.1 billion for Air Force national security space programs, an increase of about \$100 million above the FY2016 enacted level. DOD has stated this budget request allows the United States to maintain supremacy in space and provides communications, navigation, missile warning, space situational awareness, and environmental monitoring.⁵⁸

⁵⁵ Department of Defense Fiscal Year 2017 President's Budget Submission Missile Defense Agency, Defense-wide Justification Book Volume 2a of 2, Research, Development, Test & Evaluation, February 2016, and Department of Defense Fiscal Year 2017 President's Budget Submission Missile Defense Agency, Defense-wide Justification Book Volume 2b of 2, Procurement, February 2016.

⁵⁶ Ibid.

⁵⁷ Ibid.

⁵⁸ United States Air Force, Fiscal Year 2017 Budget Overview, SAF/FMB, February 2016.

FY2017 funding requests for selected space-based systems and launch vehicles are summarized in Appendix **Table A-5**. Following are some highlights.

The FY2017 budget request totals approximately \$1.8 billion related to space launch activities and includes

- \$737 million for the Evolved Expendable Launch Vehicle program to procure five launch services for national security space missions, three of which will be competitive;
- \$768 million to maintain the launch infrastructure to sustain U.S. capability to launch up to eight national security space missions each year;
- \$296 million to develop new or upgraded launch systems through public-private partnerships.⁵⁹

Additionally, the Air Force said it is taking steps to ensure the existence of two commercially-viable, domestically sourced space launch providers with the objective of eliminating reliance on the Russian RD-180 rocket engine used in critical U.S. national security space launches.⁶⁰

The FY2017 request also includes about \$955 million to continue Air Force efforts to define future wideband and protected SATCOM (satellite communications) while exploring commercial SATCOM opportunities. This represents an increase of about \$322 million and also increases production to complete the last two Advanced Extremely High Frequency satellites used for critical military communications.

The budget request would increase funding investments in Space Situational Awareness (about \$76 million) to provide more timely indication of warning, event detection, and custody of deep space objects. This would include new starts such as the Joint Interagency Combined Space Operations Center for about \$15 million and a Deep Space Advanced Radar Concept (about \$10 million), both of which are seen as foundational tools for timely decision making with the continued goal of ensured access and freedom of action in space.

Finally, the FY2016 budget request established a new Air Force account for major space procurement programs, which Congress approved, but also directed that all space-related procurement line items be included in this new appropriation. In response to this mandate, the FY2017 budget request transfers all space-related items requested in Other Procurement (Air Force) to the Space Procurement (Air Force) account.

For more Space and Space-based Systems information contact:

Steve Hildreth, Specialist in U.S. & Foreign National Security Programs, 7-7635,
shildreth@crs.loc.gov

Intelligence-Related Activities

Most intelligence dollars are embedded in the defense budget for security purposes. Funding associated with the U.S. Intelligence Community (IC) equates to roughly 10-11% of national defense spending.⁶¹ For more information on the organization of the IC, see **Appendix B**.

⁵⁹ Ibid.

⁶⁰ Roundtable on Assured Access to Space and the RD-180, EELV Talking Points, Air Force, February 2016.

⁶¹ For more information see CRS Report R44381, *Intelligence Spending: In Brief*, by Anne Daugherty Miles.

Intelligence spending is usually understood as the sum of two separate budget programs: (1) the National Intelligence Program (NIP), which covers the programs, projects, and activities of the IC oriented towards the strategic needs of decision makers, and (2) the Military Intelligence Program (MIP), which funds defense intelligence activities intended to support tactical military operations and priorities. The NIP and MIP are managed and overseen separately by the Director of National Intelligence (DNI) and Under Secretary of Defense for Intelligence USD(I) respectively, under different authorities.⁶²

The NIP is an aggregation of 14 capabilities-based programs that span the entire IC, such as cryptology, reconnaissance, and signals collection that span several IC components.⁶³ The NIP funds the Central Intelligence Agency and the strategic-level intelligence activities associated with the National Security Agency, Defense Intelligence Agency and National Geospatial-Intelligence Agency. It also funds Secure Compartmented Intelligence Communications throughout the IC.

MIP spending is confined to those IC components that fall within the DOD. A program is primarily MIP if it funds an activity that addresses a unique DOD requirement. Additionally, MIP funds may be used to “sustain, enhance, or increase capacity/capability of NIP systems.”⁶⁴ The DNI and USD(I) work to facilitate the “seamless integration” of NIP and MIP intelligence efforts.⁶⁵ Mutually beneficial programs may receive both NIP and MIP resources.⁶⁶

Only the NIP topline figure must be publically disclosed by statute.⁶⁷ In 2010, the Secretary of Defense began disclosing MIP appropriations figures on an annual basis and in 2011 disclosed those figures back to 2007.⁶⁸ These actions have provided public access to previously classified budget numbers for national and military intelligence activities.

⁶² See Intelligence Community Directive (ICD) 104, “National Intelligence Program (NIP) Budget Formulation and Justification, Execution, and Performance Evaluation,” and DOD Directive 5205.12, “Military Intelligence Program.”

⁶³ 50 U.S.C. Section 3003(6) defines the term “National Intelligence Program” as: [A]ll programs, projects, and activities of the IC, as well as any other programs of the IC designated jointly by the Director of National Intelligence and the head of a United States department or agency or by the President. Such term does not include programs, projects, or activities of the military departments to acquire intelligence solely for the planning and conduct of tactical military operations by United States Armed Forces.

⁶⁴ Michael Vickers, then-U.S.D(I), “Defense Intelligence Resources,” PowerPoint Presentation to Armed Forces Communications and Electronics Association (AFCEA), March 13, 2014, Slide 37.

⁶⁵ In May 2007, the Secretary of Defense and DNI formally agreed in a Memorandum of Agreement (MOA) that the U.S.D(I) position would be dual-hatted—the incumbent acting as both the U.S.D(I) within the Office of the Secretary of Defense (OSD) and Director of Defense Intelligence (DDI) within the ODNI in order to improve the integration of national and military intelligence. According to the MOA, when acting as DDI, the incumbent reports directly to the DNI and serves as his principal advisor regarding defense intelligence matters. See Michael McConnell, DNI and Robert Gates, Secretary of Defense, “Memorandum of Agreement,” May 2007, *news release* no. 637-07, May 24, 2007, “Under Secretary of Defense for Intelligence to be Dual-Hatted as Director of Defense Intelligence,” at <http://www.defense.gov/Releases/Release.aspx?ReleaseID=10918>.

⁶⁶ Michael Vickers, then- U.S.D(I), “Defense Intelligence Resources,” PowerPoint Presentation to Armed Forces Communications and Electronics Association (AFCEA), March 13, 2014, Slide 37. See also Robert Mirabello, “Budget and Resource Management,” *Intelligencer: Journal of U.S. Intelligence Studies*, vol. 20, no. 2 (Fall/Winter 2013).

⁶⁷ P.L. 110-53 §601(a). Nevertheless, Section 601(b) allows the President to “waive or postpone the disclosure” if the disclosure “would damage national security.” The first such disclosure was made on October 30, 2007. The Intelligence Authorization Act (IAA) of 2010 (P.L. 111-259 §364) further amends Section 601 to require the President to publicly disclose the amount requested for the NIP for the next fiscal year “at the time the President submits to Congress the budget.” Although the aggregate number for the NIP was classified until 2007, there were two exceptions. In October 1997, the Director of Central Intelligence (DCI) George Tenet announced that the intelligence budget for FY1997 was \$26.6 billion, and in March 1998, he announced that the budget for FY1998 was \$26.7 billion.

⁶⁸ Department of Defense, “DOD Releases Military Intelligence Program Top Line Budget for Fiscal 2007, 2008, (continued...) ”

The defense appropriations bill includes resources for both MIP and DOD-NIP in a classified annex.⁶⁹ Non-DOD NIP resources are appropriated in the budgets associated with their parent departments. Non-DOD NIP funds include activities associated with IC-related elements of the Departments of Homeland Security, Treasury, State, Justice, and Energy.⁷⁰

Trends in Intelligence Spending

Top-line numbers associated with intelligence spending are reported in **Table 4. Figure 7** provides an overview of total intelligence spending as a percentage of overall national defense spending, and suggests that intelligence spending has remained proportionally constant to defense spending—consistently representing roughly 10-11% of national defense spending.

Table 4. Intelligence Spending, FY2007-2017

billions of dollars

	FY07	FY08	FY09	FY10	FY11	FY12	FY13 ^a	FY14	FY15	FY16	FY17
NIP^b	\$43.5	\$47.5	\$49.8	\$53.1	\$54.6	\$53.9	\$49.0 (\$52.7)	\$50.5	\$50.3	\$53.9	\$53.5
MIP^c	\$20.0	\$22.9	\$26.4	\$27.0	\$24.0	\$21.5	\$18.6 (\$19.2)	\$17.4	\$16.5	\$17.9	\$16.8
NIP MIP Total	\$63.5	\$70.4	\$76.2	\$80.1	\$78.6	\$75.4	\$67.6 (\$71.9)	\$67.9	\$66.8	\$71.8	\$70.3
National Defense^d	\$625.8	\$696.2	\$697.5	\$721.2	\$717.0	\$681.4	\$610.2	\$622.3	\$598.4	\$615.4	\$619.5

Source: CRS, using numbers available at www.dni.gov, www.defense.gov, and www.whitehouse.gov.

Notes:

- \$52.7B was reduced by amount sequestered to \$49.0B, DNI press release, October 30, 2013; \$19.2B was reduced via sequestration to \$18.6B, DOD press release, October 31, 2013. Automatic spending cuts were required under the Budget Control Act of 2011 (P.L. 112-25).
- National Intelligence Program (NIP) topline numbers are public in accordance with *Implementing Recommendations of the 9/11 Commission Act of 2007*, P.L. 110-53, §601. NIP numbers include base budget and OCO dollars.
- Military Intelligence Program (MIP) numbers include base budget and OCO dollars.
- National defense spending (using topline numbers associated with Function 50 “National Defense”) is included for comparative purposes. See Office of Management and Budget, *Historical Tables*, Table 5.1, “Budget Authority by Function and Subfunction: 1976-2020.”
- Values in columns for Fiscal Years 2016 and 2017 are requested dollars.

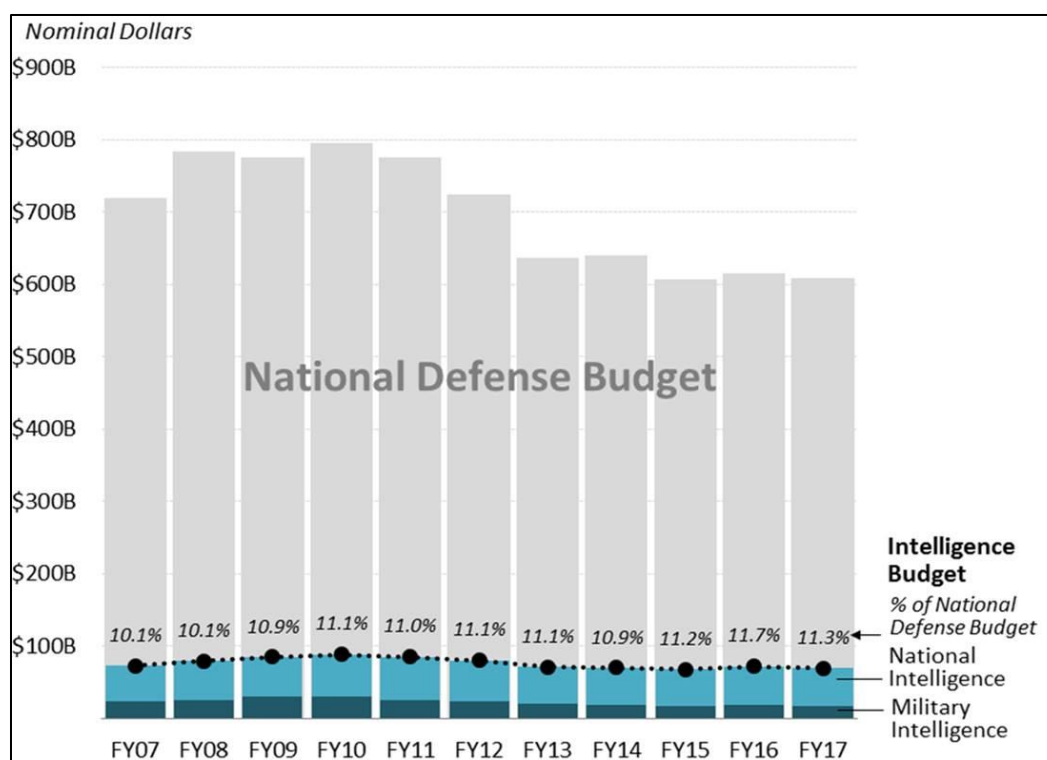
(...continued)

2009,” DOD news release no. 199-11, March 11, 2011, available at <http://archive.defense.gov/Releases/Release.aspx?ReleaseID=14328>. The release of the MIP topline was not directed by statute. According to this news release, it was a decision made by the Secretary of Defense.

⁶⁹ NIP and MIP resources are authorized in the classified portions of both the Intelligence Authorization Acts produced by the congressional intelligence committees and the National Defense Authorization Acts produced by the armed services committees. The armed services committees do not have jurisdiction over non-DOD NIP, and the Senate intelligence committee does not have jurisdiction over MIP resources. See Dan Elkins, *Managing Intelligence Resources*, 4th Edition (Dewey, AZ: DWE Press, 2014) for an in-depth examination of the intelligence budget process, to include information on the jurisdictions of congressional oversight committees.

⁷⁰ Dan Elkins, *Managing Intelligence Resources*, 4th Edition (Dewey, AZ: DWE Press, 2014).

Figure 7. Intelligence Spending as a Percentage of the National Defense Budget: Fiscal Years 2007-2017



Source: CRS, using numbers available at www.dni.gov, www.defense.gov, and www.whitehouse.gov.

Notes: See **Table 4**, Intelligence Spending, Fiscal Years 2007-2017, for the top-line numbers used to produce this graph. FY2016 and FY2017 are requested dollars.

For more information on Intelligence-Related Activities contact:

Anne Miles, Analyst in Intelligence and National Security, 7-7739, amiles@crs.loc.gov

DOD Overseas Contingency Operations Funding

In addition to revising the caps for DOD's base budget, the BBA identified a non-binding FY2017 budget level for OCO in FY2017 of \$58.8 billion. The President's OCO budget request matches this level, which includes \$5.2 billion for base budget activities that were not funded in the base budget due to the caps.⁷¹ According to the DOD Comptroller, the FY2017 OCO request focuses on Operation Freedom's Sentinel (OFS) in Afghanistan, Operation Inherent Resolve (OIR) in Iraq and Syria, and increased efforts to support European allies and deter Russian aggression—all while supporting what is referred to as a "partnership-focused approach to counterterrorism."⁷² The OCO request reflects the President's plan to extend the presence of U.S. forces in Afghanistan, intensify operations to counter the Islamic State, and expand the U.S. presence in

⁷¹ Department of Defense Fiscal Year 2017 Budget Request Overview, Office of the Under Secretary of Defense (Comptroller)/CFO, February 9, 2016.

⁷² Ibid, p. 7-1.

Europe (including Eastern Europe), while complying with the BBA funding caps.⁷³ The request is based on the force level projections in **Table 5**.

Table 5. Assumed FY2017 Troop Levels for Overseas Contingency Operations
average annual number of military personnel

Force	FY2015 Actual	FY2016 Actual	FY2017 Budget Request
Afghanistan (OFS)	10,012	9,737	6,217
Iraq (OIR)	3,180	3,550	3,550
In-theater Support	55,958	55,831	58,593
U.S. and other locations	16,020	15,991	13,085

Source: Department of Defense Fiscal Year 2017 Budget Request Overview, Office of the Under Secretary of Defense (Comptroller)/CFO, Figure 7.2, February 9, 2016.

Notes: In-theater support includes Afghanistan, Iraq, Horn of Africa, and the European Reassurance Initiative.

Budget Highlights by Activity

With the exception of noticeable increases in funding for the European Reassurance Initiative (ERI) and in-theater support activities, there is little change from the FY2016 enacted budget for OCO. See **Table 6** for a breakdown of activities funded.

Table 6. OCO Budget Request
billions of dollars

Activity	FY2016 enacted	FY2017 request	Change
Operations/Force Protection	\$8.8	\$8.7	-\$0.1
In-theater Support	\$14.8	\$17.0	\$2.2
Joint Improvised-Threat Defeat Fund	\$0.4	\$0.3	-\$0.1
Afghanistan Security Forces Fund	\$3.6	\$3.4	-\$0.2
Support for Coalition Forces	\$1.4	\$1.4	\$0.0
Iraq Train and Equip Fund	\$0.7	\$0.6	-\$0.1
Syria Train and Equip Fund	\$0.0	\$0.3	\$0.3
Equipment Reset and Readiness	\$10.1	\$9.4	-\$0.7
Classified Programs	\$8.1	\$8.1	\$0.0
Counterterrorism Partnership Fund	\$1.1	\$1.0	-\$0.1
European Reassurance Initiative	\$0.8	\$3.4	\$2.6
National Guard and Reserve Equipment/Military Readiness	\$1.5	\$0.0	-\$1.5
Prior-Year Rescissions	-\$0.4	—	n/a

⁷³ Ibid, p. 7-2.

Activity	FY2016 enacted	FY2017 request	Change
Bipartisan Budget Act of 2015 Compliance	\$7.7	\$5.2	-\$2.5
Total	\$58.6	\$58.8	\$0.2

Source: Department of Defense Fiscal Year 2017 Budget Request Overview, Office of the Under Secretary of Defense (Comptroller)/CFO, Figure 7.3, February 9, 2016,

Notes: Numbers may not add due to rounding

- a. From FY2015 Afghanistan Security Assistance Fund.
- b. Additional funding provided in accordance with non-binding level set by BBA.

Operations/Force Protection

The request includes \$8.7 billion for the incremental cost of U.S. operations and force protection associated with OFS and OIR. These funds would cover expenses such as

- subsistence and life support for deployed forces;
- pay for reserve and guard personnel who have been mobilized;
- deployment-related special payments to personnel, such as imminent danger pay;
- operating expenses, such as fuel and maintenance for equipment, vehicles and aircraft;
- pre-deployment training focused on an OCO-funded mission;
- transportation cost to sustain and support the forces, to include the return of U.S. equipment from Afghanistan; and
- additional personal protective equipment, such as body armor.

In-Theater Support

The request includes \$17.0 billion for In-Theater Support: the incremental cost of U.S. forces located outside Afghanistan and Iraq—including air and naval forces—that contribute to the missions of forces in those countries.⁷⁴ It includes funding for some supporting activities operating from the United States (such as remotely piloted aircraft and reach-back intelligence, surveillance, and reconnaissance (ISR) capabilities).⁷⁵

This category includes \$85.0 million for the Office of Security Cooperation-Iraq (OSC-I) whose long-term goal is to build partnership capacity in the Iraqi Security Forces. OSC-I conducts traditional security cooperation activities such as joint exercise planning and combined arms training. It also conducts counterterrorism training, logistic capacity building, and intelligence integration in support of the Iraqi Security Forces.⁷⁶

Also included as part of the In-Theater Support request is \$5.0 million for the Commander's Emergency Response Program. According to DOD, this funding enables military commanders on the ground in Afghanistan to respond to urgent humanitarian relief and reconstruction needs by

⁷⁴ Department of Defense Fiscal Year 2017 Budget Request Overview, Office of the Under Secretary of Defense (Comptroller)/CFO, February 9, 2016, p. 7-4.

⁷⁵ Ibid.

⁷⁶ Ibid.

undertaking activities that will immediately aid the Afghan people and assist U.S. forces in maintaining security gains.⁷⁷

Counterterrorism Partnerships Fund

The FY2017 request of \$1.0 billion for the Counterterrorism Partnerships Fund would continue the President's initiative to support counterterrorism efforts by other governments in Africa and the Middle East. Of that total, \$450 million would go to U.S. Africa Command and \$550 million would go to U.S. Central Command.⁷⁸

Bipartisan Budget Act of 2015 Compliance

The FY2017 OCO request includes \$5.2 billion in funding labeled as "Bipartisan Budget Act of 2015 Compliance." According to the DOD Comptroller, the amount specified for FY2017 OCO in the BBA was \$5.2 billion more than is anticipated to be required for operations.⁷⁹ Therefore, DOD is using the additional funding to cover requirements that are typically funded in the base budget such as:

- O&M for training, depot maintenance, base operating support, and drug interdiction/counter-drug activities;
- Procurement of:
 - Munitions such as Hellfire air-to-surface missiles, Small Diameter Bombs, Joint Direct Attack Munitions, and Maverick air-to-ground tactical missiles;
 - Explosive ordnance disposal equipment; and
 - Aircraft modifications/upgrades for SH-60 and H-1 helicopters, as well as remanufacture of AH-64 helicopters.
- Military Construction (planning and design) for a medical/dental facility at Camp Lemmonier, Djibouti.

Budget Highlights by Geographic Mission

Operation Freedom's Sentinel (Afghanistan)

The OCO budget request includes \$41.7 billion associated with OFS and overall theater posture (activities supporting related contingency and counter-terrorism operations). This request would provide \$3.4 billion in the Afghanistan Security Forces Fund for sustainment, operations, training, and equipping of 352,000 Afghan National Defense and Security Forces (195,000 members of the Afghan National Army and 157,000 Afghan National Police).⁸⁰ The President is also requesting \$1.4 billion to finance coalition, friendly forces, and a variety of support requirements for key foreign partners who wish to participate in U.S. military operations but lack financial means.⁸¹

⁷⁷ Ibid.

⁷⁸ Ibid., p.7-6.

⁷⁹ Under Secretary of Defense (Comptroller)/CFO briefing to Congressional staff, February 9, 2016.

⁸⁰ Justification for FY2017 Overseas Contingency Operations Afghanistan Security Forces Fund, Office of the Secretary of Defense, February 2016.

⁸¹ Department of Defense Fiscal Year 2017 Budget Request Briefing, Office of the Under Secretary of Defense (Comptroller)/CFO, February 9, 2016, slide 20.

Operation Inherent Resolve (Operations against IS)

DOD is responding to the evolving nature of IS with a request for \$7.5 billion. The request includes \$630 million—slightly less than the amount requested in FY2016—for the Iraq Train and Equip Fund to enhance the Iraqi Security Forces’ ability to liberate and secure lost territory, secure borders, protect the population, and further improve the quality of provincial and national defenses.⁸² The Syria Train and Equip Fund is also part of the U.S. Government’s strategy to degrade, dismantle, and ultimately defeat IS. The Administration’s request includes \$250 million to train, equip, and/or sustain appropriately-vetted opposition forces engaged in the counter-IS fight.⁸³

European Reassurance Initiative (ERI)

The FY2017 request includes \$3.4 billion—four times the amount provided for FY2016—for ERI, intended to bolster U.S. forces in Europe for the purpose of reassuring U.S. allies and deterring Russian threats. The initiative was launched in 2014 in response to Russia’s occupation of Ukrainian territory and its hostile actions toward other neighboring countries. About two-thirds of the FY2017 ERI request would be used to increase the presence in Europe of U.S. Army armored units, including

- \$507.0 million to ensure that armored brigade combat teams (BCTs) were deployed to Europe for temporary periods on a schedule that would have one such unit in place at all times;
- \$1.8 billion to preposition in Europe the equipment of a second armored BCT which could be manned by troops flown in from U.S. bases.⁸⁴

Other components of the ERI request include \$163.0 million for additional training exercises with NATO allies and \$217 million for improvements to airfields and other facilities for U.S. forces deployed in Europe (see **Table 7**).

⁸² Department of Defense Fiscal Year 2017 Budget Request for Overseas Contingency Operations Iraq Train and Equip Fund, Office of the Secretary of Defense, February 2016.

⁸³ Department of Defense Fiscal Year 2017 Budget Request for Overseas Contingency Operations Syria Train and Equip Fund, Office of the Secretary of Defense, February 2016.

⁸⁴ Department of Defense Fiscal Year 2017 Budget Request, European Reassurance Initiative, Office of the Under Secretary of Defense (Comptroller)/CFO, February 9, 2016.

Table 7. ERI Budget Request

millions of dollars

Activity	FY2016 enacted	FY2017 request	Change
Increased Presence	\$471.4	\$1,049.8	\$578.4
Additional Bilateral and Multilateral Exercises	\$108.4	\$163.1	\$54.7
Enhanced Prepositioning	\$57.8	\$1,903.9	\$1846.1
Improved Infrastructure	\$89.1	\$217.4	\$128.3
Building Partnership Capacity	\$62.6	\$85.5	\$22.9
Total	\$789.3	\$3,419.7	\$263.0

Source: Department of Defense Fiscal Year 2017 Budget Request, European Reassurance Initiative, Office of the Under Secretary of Defense (Comptroller)/CFO, February 9, 2016.

For more Overseas Contingency Operation Funding information contact:

Pat Towell, Specialist in U.S. Defense Policy and Budget, 7-2122, ptowell@crs.loc.gov

Lynn Williams, Analyst in U.S. Defense Budget Policy, 7-0569, lmwilliams@crs.loc.gov

Appendix A. Authorization Actions on Selected Programs

Table A-1. FY2017 Authorization Action on Selected Ground Vehicles

amounts in millions of dollars

	FY2017 Request			House			Senate			Conference		
	Procurement		R&D	Procurement		R&D	Procurement		R&D	Procurement		R&D
	Qty	Amt	Amt	Qty	Amt	Amt	Qty	Amt	Amt	Qty	Amt	Amt
M-2 Bradley Infantry Fighting Vehicle	—	\$276.4	\$101.9									
M-1 Abrams Tank Upgrade	—	\$480.2	\$78.5									
Paladin Self-propelled Howitzer	48	\$594.5	\$41.5									
Stryker Combat Vehicle ⁰	—	\$590.6	\$136.5									
M-88A1 Hercules Tank Recovery Vehicle	22	\$91.9	—									
Armored Multi-Purpose Vehicle	—	—	\$184.2									
Amphibious Combat Vehicle	—	—	\$158.7									
Joint Light Tactical Vehicle	2,020	\$700.7	\$34.7									
Family of Heavy Tactical Vehicles	481	\$45.7	\$11.4									
Family of Medium Tactical Vehicles	1,100	\$352.8	—									

Source: Department of Defense Fiscal Year 2017 Program Acquisition Cost By Weapon System, Office of the Under Secretary of Defense (Comptroller)/CFO, February 9, 2016,

Note: a. Three-quarters of the requested procurement funds are to equip existing Strykers with a “double-vee” underside to better survive roadside bombs

Table A-2. FY2017 Authorization Action on Selected Ship Programs

amounts in millions of dollars

	FY2017 Request			House			Senate			Conference		
	Procurement		R&D	Procurement		R&D	Procurement		R&D	Procurement		R&D
	Qty	Amt	Amt	Qty	Amt	Amt	Qty	Amt	Amt	Qty	Amt	Amt
<i>U.S.S. Gerald R. Ford</i> -class aircraft carrier	—	\$2,664.9	\$121.4									
Carrier refueling and complex overhaul	—	\$1,991.8	—									
DDG-51 <i>Arleigh Burke</i> -class destroyer	2	\$3,348.9	\$149.4									
DDG-51 mods	—	\$367.8	—									
DDG-1000 <i>Zumwalt</i> -class destroyer	—	\$271.8	\$45.6									
<i>Virginia</i> -class submarine	2	\$5,113.9	\$208.5									
Virginia Payload Module	—	—	\$97.9									
<i>Ohio</i> -class Replacement Program	—	\$773.1	\$1,091.1									
Littoral Combat Ship (LCS)	3	\$1,462.4	\$136.5									
LCS Combat Modules	—	\$133.4	\$160.1									
LHA(R) <i>America</i> -class helicopter carrier	1	\$1,638.8	\$9.5									
Ship-to-Shore Connector	2	\$128.1	\$11.1									
T-AO Fleet Oiler	—	\$73.1	\$1.1									
Moored Training Ship	1	\$624.5	—									

Source: Department of Defense Fiscal Year 2017 Program Acquisition Cost By Weapon System, Office of the Under Secretary of Defense (Comptroller)/CFO, February 9, 2016,

Table A-3. FY2017 Authorization Action on Selected Aircraft and Ballistic Missile Programs

amounts in millions of dollars

	FY2017 Request			House			Senate			Conference		
	Procurement		R&D	Procurement		R&D	Procurement		R&D	Procurement		R&D
	Qty	Amt	Amt	Qty	Amt	Amt	Qty	Amt	Amt	Qty	Amt	Amt
Fixed-wing Tactical Aircraft												
F-35A (Air Force)	43	\$4,806.4										
F-35B (U.S.MC – STOVL)	16	\$2,271.4										
F-35C (Navy – carrier-based)	4	\$971.6										
F/A-18 Super Hornet	2	\$184.9	—									
F/A-18 mods	—	\$1,023.5	\$189.1									
F-15 mods	—	\$105.7	\$613.4									
F-16 mods	—	\$97.3	\$132.8									
F-22 mods	—	\$241.4	\$467.9									
A-10 mods	—	\$25.1	\$14.9									
Long-range Strike Aircraft & Missiles												
Long-Range Strike Bomber	—	—	\$1,358.3									
B-2 mods	—	\$46.7	\$468.1									
B-1 mods	—	\$116.3	\$5.8									
Trident II missile mods	—	\$1,103.1	\$117.5									
Conventional Prompt Global Strike	—	—	\$181.3									
Fixed-wing and Tilt-Rotor Cargo, Transport, and Tanker Aircraft												
KC-46A tanker	15	\$2,884.6	\$261.7									
C-17 mods	—	\$43.7	\$12.4									
C-5 mods	—	\$24.2	\$66.1									

	FY2017 Request			House			Senate			Conference		
	Procurement		R&D	Procurement		R&D	Procurement		R&D	Procurement		R&D
	Qty	Amt	Amt	Qty	Amt	Amt	Qty	Amt	Amt	Qty	Amt	Amt
C-130 (all models)	14	\$1,308.3	\$30.8									
V-22 Osprey	16	\$1,283.8	\$191.1									
Fixed-wing Intelligence, Surveillance, and Reconnaissance Aircraft												
E-2D	6	\$1,015.5	\$363.8									
P-8A	11	\$2,063.4	\$241.3									
E-8 Joint Stars mods		\$2.2	\$128.0									
E-3A AWACS mods		\$223.4	\$86.6									
MQ-1 Reaper and MQ-9 Predator	24	\$1,015.8	\$190.9									
Global Hawk (all versions)	2	\$514.0	\$588.2									
RQ-8 Fire Scout	1	\$72.4	\$26.5									
Carrier-based refueling drone	—	—	\$89.0									
Helicopters												
UH-60 Blackhawk	36	\$929.3	\$46.8									
AH-64 Apache	52	\$1,066.2	\$66.4									
CH-47 Chinook	22	\$590.0	\$91.8									
CH-53K	2	\$437.0	\$404.8									
AH-1Z SuperCobra	24	\$817.0	\$37.4									
VH-92A Presidential Helicopter	—	—	\$338.4									
Combat Rescue Helicopter	—	—	\$319.3									

Source: Department of Defense Fiscal Year 2017 Program Acquisition Cost By Weapon System, Office of the Under Secretary of Defense (Comptroller)/CFO, February 9, 2016,

Table A-4. FY2017 Authorization Action on Selected FY2017 Missile Defense Program Requests

millions of dollars

	FY2017 Request			House			Senate			Conference		
	Procurement		R&D	Procurement		R&D	Procurement		R&D	Procurement		R&D
	Qty	Amt	Amt	Qty	Amt	Amt	Qty	Amt	Amt	Qty	Amt	Amt
AEGIS Ballistic Missile Defense	35	\$513.9	\$1,054.1									
THAAD Ballistic Missile Defense	24	\$369.6	\$270.3									
Ground-based Midcourse Defense	—	—	\$1,192.7									
Patriot/PAC-3	—	\$197.1	\$84.6									
PAC-3 Missile Segment Enhancement	85	\$432.2	—									
Iron Dome	—	\$42.0	—									
Israeli Cooperative Programs	—	—	\$103.8									
Sea-Based X-Band Radar (SBX)	—	—	\$68.8									

Source: Department of Defense Fiscal Year 2017 Program Acquisition Cost By Weapon System, Office of the Under Secretary of Defense (Comptroller)/CFO, February 9, 2016, Department of Defense Fiscal Year 2017 President's Budget Submission Missile Defense Agency, Defense-wide Justification Book Volume 2a of 2, Research, Development, Test & Evaluation, February 2016, and Department of Defense Fiscal Year 2017 President's Budget Submission Missile Defense Agency, Defense-wide Justification Book Volume 2b of 2, Procurement, February 2016.

Table A-5. FY2017 Authorization Action on Selected Space and Communications Systems

amounts in millions of dollars

	FY2017 Request			House			Senate			Conference		
	Procurement		R&D	Procurement		R&D	Procurement		R&D	Procurement		R&D
	Qty	Amt	Amt	Qty	Amt	Amt	Qty	Amt	Amt	Qty	Amt	Amt
Advanced Extremely High Frequency Satellite (AEHF)	—	\$645.6	\$259.1									
Evolved Expendable Launch Vehicle (EELV)	5	\$1,506.4	\$296.6									
Global Positioning System (GPS)	—	\$34.1	\$813.3									
Space-based Infrared System (SBIRS)	—	\$362.5	\$182.0									
Warfighter Information Network–Tactical (WIN-T)	—	\$437.2	\$4.9									

Source: Department of Defense Fiscal Year 2017 Program Acquisition Cost By Weapon System, Office of the Under Secretary of Defense (Comptroller)/CFO, February 9, 2016,

Appendix B. Organization of the Intelligence Community

As defined by 50 U.S.C. §3003, the “intelligence community” is currently comprised of 17 component organizations spread across one independent agency and six separate departments of the Federal Government. NIP funding is spread across all 17 components while MIP spending is confined to the DOD.

Table B-1. U.S. Intelligence Community (2016)

DOD Elements	Non-DOD Elements
<ul style="list-style-type: none"> • Defense Intelligence Agency • National Geospatial-Intelligence Agency • National Reconnaissance Office • National Security Agency • <i>Intelligence elements of the military services:</i> <ul style="list-style-type: none"> • U.S. Air Force Intelligence • U.S. Army Intelligence • U.S. Marine Corps Intelligence • U.S. Navy Intelligence 	<ul style="list-style-type: none"> • Office of the Director of National Intelligence • Central Intelligence Agency • <i>Department of Energy intelligence element:</i> <ul style="list-style-type: none"> • Office of Intelligence and Counter-Intelligence • Department of Homeland Security intelligence elements: <ul style="list-style-type: none"> • Office of Intelligence and Analysis • U.S. Coast Guard Intelligence • Department of Justice intelligence elements: <ul style="list-style-type: none"> • Drug Enforcement Agency’s Office of National Security Intelligence • Federal Bureau of Investigation’s National Security Branch • Department of State intelligence element: <ul style="list-style-type: none"> • Bureau of Intelligence and Research • Department of Treasury intelligence element: <ul style="list-style-type: none"> • Office of Intelligence and Analysis

Contributing Policy Staff

Area of Expertise	Name	Phone	Email
Specialist in National Defense	Else, Daniel	7-4996	delse@crs.loc.gov
Specialist in Military Ground Forces	Feickert, Andy	7-7673	afeickert@crs.loc.gov
Specialist in Military Aviation	Gertler, JJ	7-5107	jgertler@crs.loc.gov
Specialist in Specialist in U.S. & Foreign National Security Programs	Hildreth, Steve	7-7635	shildreth@crs.loc.gov
Analyst in Defense Health Care Policy	Jansen, Don	7-4769	djansen@crs.loc.gov
Analyst in Military Manpower Policy	Kamarck, Kristy	7-7783	kkamarck@crs.loc.gov
Specialist in Military Manpower Policy	Kapp, Lawrence	7-7609	lkapp@crs.loc.gov
Analyst in Intelligence and National Security Policy	Miles, Anne Daugherty	7-7739	amiles@crs.loc.gov

Area of Expertise	Name	Phone	Email
Specialist in Naval Affairs	O'Rourke, Ron	7-7610	rorourke@crs.loc.gov
Specialist in Nuclear Weapons Policy	Woolf, Amy	7-2379	awoolf@crs.loc.gov

Author Contact Information

Pat Towell
Specialist in U.S. Defense Policy and Budget
ptowell@crs.loc.gov, 7-2122

Lynn M. Williams
Analyst in U.S. Defense Budget Policy
lmwilliams@crs.loc.gov, 7-0569